

# Directors' Report to the Shareholders

## Dear Valued Shareholders,

On behalf of the Board of Directors, I welcome you all to the 17th Annual General Meeting (AGM) of Mutual Trust Bank Limited. In line with the requirements of Section 184 of the Companies Act 1994, Stock Exchanges Regulations and Bangladesh Securities and Exchange Commission Order No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 7, 2012, I have the pleasure to place before you the Directors' Report for your consideration.

## Global Economy

The year 2015 is marked to be an unfavorable one for global growth, as global real GDP grew at 3.1 percent, down by 30 basis points from 3.4 percent of 2014, in the midst of weak aggregate demand, falling commodity prices and increasing financial market volatility in the major economies. As a whole, 2015 was a year of divergent performance, as economies found themselves at various points of the economic cycle.

During 2015, the advanced economies as a whole grew by 1.9 percent, maintaining a slight recovery position from the previous year, mainly due to the impressive performance of the smaller European nations, return to positive growth in Japan and a resilient US recovery. This moderate growth was supported by declining oil prices, accommodative monetary policy, and improved financial conditions, and in some cases, depreciation of the currency. On the other hand, falling commodity prices hampered the overall growth for emerging markets and developing economies, as it dipped to 4.0 percent from 4.6 percent recorded in the previous year. A slowdown in China, with less reliance on commodity-intensive investment, added more to the dismal performance of the segment.

However, things are expected to get better in 2016 and growth is projected to be 3.6 percent, while prospects across the main countries and regions remain uneven. Growth in advanced economies is expected to rise by 20 basis points in 2016 to 2.1 percent. The robust recovery in the US is expected to continue amidst supportive financial conditions and strengthening of the housing and labor markets. For the Euro Area, the overall growth rate is expected to be 1.7 percent, mainly due to stronger private consumption supported by lower oil prices. Alongside, emerging market and developing economies are expected to exhibit some recovery and maintain a growth rate of 4.3 percent in 2016, with positive growth prospects in Sub-Saharan Africa, Middle East and India. On the flipside, economic crisis is expected to continue in Brazil and Russia during 2016, and growth in China is forecasted to drop to 6.3 percent in 2016 compared to 6.9 percent in 2015, due to weak investment growth.

In the financial market arena, higher volatility is expected in the near to medium term, due to policy divergence in advanced economies. The US Federal Reserve has increased its key interest rate for the first time in almost a decade, on last December, that signals the expansion of US economic activities. Other things being equal, it should attract more capital to US markets and strengthen the dollar even further. The trend could get magnified as the European Central Bank (ECB) has already come up with a surprisingly modest easing of monetary policy. The ECB also cut its deposit rate by 10 basis points to minus 0.3 percent. This means that capital is likely to move out of the Euro Zone, as opportunities arise to borrow in Euro or Yen and investing in appreciating dollar-denominated assets. However, the alternative view is that the dollar rally is over as capital has already flowed to the US in anticipation of a rate hike and, once it is out of the way, things will get normalized. Either way the dynamics of global financial market is on the verge of a major shift.

## Bangladesh Economy

The economy portrayed a mixed performance during the year 2015, in the midst of internal and external setbacks. Though the economy made a slow start due to political unrest, yet it bounced back strongly in the later part of the year. The economy advanced further towards a higher and sustainable growth track. The most remarkable achievement of the year 2015 was attaining the prestigious lower-middle income status from the World Bank upon reaching GNI per capita of USD 1,314. In line with the improving economic indicators, Bangladesh Government aims to achieve 7.0% GDP growth during FY 2015-16. Bangladesh Bank, in its latest Monetary Policy Statement, has reported this growth target to be ambitious, but attainable, subject to providing the right enabling environment. The Bangladesh Bureau of Statistics (BBS) has forecast a 6.51% growth for this fiscal.

The Bangladeshi capital market managed to exhibit some signs of recovery during the trading sessions on the two bourses in 2015. Until August 2015, average price level and participation were both on the rise, as investors started to feel a bit optimistic. But contrary to expectations, market parameters continued to decline from the start of September 2015. This caught everyone with surprise, as nothing actually happened in the economy that could dampen the stock market. All the economic indicators were showing positive results, companies were declaring reasonable profits and dividends. Moreover, the government came forward with market friendly budgetary measures. On a year on year basis benchmark measure, DSEX lost 6.31% to stand at 4,629 point at the end of December 2015. Average daily turnover went down by 15.35%, compared to the previous year, while average market capitalization rose by 6.12%. Throughout the year, the major sectors exhibited mixed performance.

Inflation management is another success story of our country. The contractionary monetary policy of Bangladesh Bank has helped to keep inflation within the limit. As per Bangladesh Bank's statistics, twelve month average inflation at the end of December 2015 is reported to be 6.19%, which is well in line with the Government's budget target of 6.2%. During the same month of the previous year the 12 month average inflation rate was 6.99 percent.

Like the previous years, the foreign currency reserves of the country continued to rise at a steady pace. Reserves at the end of December 2015 were reported to be USD 27.49 billion. Compared to the same period of previous year reserves surged by 23.2% in the midst of growing inflow of remittances and a drop in global oil and commodity prices leading to lesser import costs. Higher export earnings and improvement in primary income and the income from services contributed to a current account surplus of USD 1.05 billion during July-November, 2015. The overall surplus was USD 2.04 billion during July-November, 2015 compared to USD 1.16 billion during July-November, 2014.

### **MTB at a Glance**

During 2015, MTB gained a remarkable 25.60 percent and 25.21 percent growth over 2014 in assets and liabilities, respectively. The bank ended the year 2015 with a credit-deposit ratio of 82.42% despite the economic downturn. The bank reached the milestone of having set up more than hundred branches, spread across the country, along with expansion of the MTB 24/7 ATM network, POS devices, Kiosks, Internet Banking and SMS banking services.

### **Business Review**

MTB's vision, mission, corporate core values, strategic priorities and outlook for 2015 have been presented at the beginning of the annual report. The bank has established the highest level of ethical standards in order to achieve MTB3V: i) To be One of the Best Performing Banks in Bangladesh ii) To be the Bank of Choice and iii) To be a Truly World-Class Bank).

### **Brief History of MTB**

MTB was incorporated as a Public Limited Company in 1999, under the Companies Act 1994, with an Authorized Share Capital of BDT 1,000,000,000, divided into 10,000,000 ordinary shares of BDT 100 each. At present, the bank's authorized share capital is BDT 10,000,000,000 divided into 1,000,000,000 ordinary shares of BDT 10 each.

The company was issued Certificate for Commencement of Business on October 5, 1999, and on the same day, Bangladesh Bank granted it a license under the Bank Companies Act, 1991. Mutual Trust Bank started its banking operation on October 24, 1999. As envisaged in the Memorandum of Association, and, as licensed by Bangladesh Bank under the provisions of the Bank Companies Act, 1991, the company started its operation to progressively carry out its banking businesses, such as Wholesale, Retail, International Trade Financing, SME Banking, NRB Banking, Off-Shore Banking, Privilege Banking, etc. the Company (Bank) operates through its Corporate Head Office located at MTB Centre, Gulshan 1, Dhaka 1205. The bank carries out its international business through a global network of over four hundred foreign correspondent banks.

The bank's has a current network of 106 branches which includes 14 SME/Agri branches, two booths at Hazrat Shahjalal International Airport (Arrival & Departure), Dhaka and three fully-owned subsidiary companies- MTB Securities Ltd. (MTBSL), MTB Capital Ltd. (MTBCL) and MTB Exchange (UK) Ltd.



## Strategic Plan

MTB aims to increase its profits, in a sustained and controlled manner, taking into account its main philosophy of integrity, transparency and ethics. We emphasize on profitability after complying with all regulatory requirements, using smart technology, well-trained human resources and banking capabilities in an efficient and effective manner.

1. Emphasize smart banking with a view to increase sustainable business
2. Continue to ensure our high standards of compliance and governance
3. Leverage our human resources, smart technology, financial capital and foresight to enhance shareholder returns while ensuring sustainable growth
4. Continue to improve our funding and liquidity position with the provision of maintaining a high level of asset quality and lower provisioning
5. Establish a culture of empowerment and motivation along with appropriate remuneration, thereby attracting talented and qualified people to join and progress with the bank
6. Act as a socially responsible organization with an aim of advancing the economy and the people
7. Ensure appropriate use of latest technology and improve the delivery channels to provide services to the unbanked population
8. Maintain our high efficiency levels to ensure that we remain one of the leaders in the banking arena
9. Increase and enhance portfolio to the diversified sectors depending on opportunities and challenges
10. Upgrade infrastructure for Information & Technology Services to develop new IT based products and services

MTB has been working relentlessly to implement the aforementioned plans, and meanwhile, significant progress has been made, which has been described in detail in this Annual Report.

## Review on MTB Operations, Products and Services

A review of the bank's operational activities is given in detail in the later part of this Annual Report. A brief review of the bank and its other subsidiaries are presented below:

### MTB Securities Ltd. (MTBSL)

Mutual Trust Bank Ltd. started its brokerage functions in June 2006 as a division of the bank. Subsequently, as per directives of Bangladesh Bank and the Bangladesh Securities Exchange Commission, the division emerged as a subsidiary company of Mutual Trust Bank Limited in the name of MTB Securities Limited. MTBSL is currently operating with 16 outlets for brokerage activity, spread across the country. During the year 2015, the company made an operating profit of BDT 126 million as against BDT 360 million in 2014. The reason behind the downfall was threefold: 1) A substantial portion of our margin loans remained stuck with negative equity clients. 2) Regulatory pressure of bringing down the Capital Market Exposure and Single Borrower Exposure to a certain level and 3) Lack of investor confidence along with poor participation in the market.

### MTB Capital Ltd.

MTB Capital Limited (MTBCL) is a fully owned subsidiary of Mutual Trust Bank Limited and a full-fledged Merchant Banker, licensed by the Bangladesh Securities and Exchange Commission (BSEC) in December 2010. MTBCL was incorporated to explore new markets and meet the demand for merchant banking services. The company extends co-operation and value added services to its respected clients. During the year 2015, the company made an operating profit of BDT 20 million as against BDT 48 million in 2014. Due to the turmoil in the stock market, capital gain income from proprietary investment, margin loan interest and management fees from portfolio business reduced compares to 2014.

### MTB Exchange (UK) Ltd.

MTB Exchange (UK) Limited (MTB UK) is one of the three fully owned subsidiary companies of Mutual Trust Bank Limited (MTB) and started its operation from February 15, 2011. During 2015, a total amount of GBP 5.49 million was remitted to Bangladesh through MTB Exchange (UK) Ltd.

## **Off-shore Banking**

MTB was permitted to operate an Off-shore Banking Unit (OBU) by Bangladesh Bank in 2009. The total loans and advances of the OBU stood at USD 16.38 million in December 2015 compared to USD 7.6 million in December 2014, with a growth of 114%. In 2015, OBU's operating profit stood at USD 0.25 million equivalent to BDT 19.98 million, as against USD 0.043 million, equivalent to BDT 3.34 million in 2014.

## **Risk Management**

The prime objective of risk management is to appropriately balance the trade-off between risk and return. MTB judiciously ensures optimum return on its asset and equities streamlining a wide array of risks it faces during its day to day operation.

The main concern of the bank is to manage risks, prudently and efficiently, to ensure profitability, capital adequacy and liquidity in a balanced manner. Strategically, the MTB Board of Directors (BOD), through the Board Risk Management Committee (BRMC) and the senior management team, sets up the risk governance structure and risk philosophy, endorses risk strategies, reviews and approves risk policies, as well as the threshold limits of risks that may be taken in line with the bank's risk appetite. These limits are continuously monitored by an experienced risk management team and overseen by BRMC. MTB has put in place a number of Risk Management Policies, viz., (i) Credit Policy with Credit Risk Management Guidelines (ii) Asset Liability Management Manual (iii) ICC, Policy (iv) Anti Money Laundering (AML) & Combating Financing Terrorism (CFT) Policy guidelines (v) Foreign Exchange Risk Management Policy & Guideline (vi) ICT Policy (vii) Wholesale Borrowing and Funding Guidelines (viii) Liquidity Contingency Plan (ix) Management Action Trigger Points (x) Anti-Fraud Policy (xi) Valuation Methodology of Collateral (xii) Internal Capital Adequacy Assessment Policy (ICAAP) (xiii) Compliance Manual. Details of the MTB Risk Management policies and activities are given in the Risk Management chapter of this Annual Report.

## **Capital Management**

As per Bangladesh Bank's guidelines, banks in the country are required to maintain capital at 10.00 percent of its risk-weighted assets under the Basel-II guidelines; Banks' capital has two components, Tier-I & Tier-II. Tier-I capital should be minimum 5 percent of the total capital. Tier-I includes the paid-up capital, share premium, statutory reserve and retained earnings, and Tier-II includes general provision on unclassified loans and advances, revaluation reserves, unsecured subordinated debt and exchange equalization account. MTB's total capital registered an increase by BDT 3,697 million and stood at BDT 12,445.63 million in 2015. Tier-I capital grew by BDT 1,364.17 million, and was recorded at BDT 7,648.03 million in 2015. Total capital is now equivalent to 12.19 percent of the total risk weighted assets. The details of capital adequacy and capital management are given in the "Market Discipline- Disclosures on Risk Based Capital (Basel-II)" chapter of this Annual Report.

## **Human Resources**

MTB has been working persistently with a view to transforming its MTBians into human capital through exposure to appropriate training courses and development programs, both at home and abroad. A most congenial environment has been created, where employees enjoy coming to work at MTB. The MTB Code of Conduct, unveiled in 2010, is being strictly practiced in order to ensure complete transparency and integrity in all its operations. A total of 1,530 employees were given training, both at home and abroad in different fields of banking and management practices up to December 31, 2015.

## **Corporate Social Responsibility**

In respect of corporate sustainability, MTB has focused on key areas, nation-building and promotion of the workplace, support to the community and protection of the environment. The bank has set up the "Mutual Trust Bank Foundation" and contributes a part of its profit, as donation to it, for undertaking various projects, particularly in the health and education sectors. Apart from the CSR activities taken by Mutual Trust Bank Foundation, the bank also undertook various CSR activities during the year 2015, details of which are given in the "Green Banking" and "Corporate Social Responsibility" part of this Annual Report.

## **Corporate Governance**

The bank adheres strictly to the regulatory guidelines on corporate governance. The disclosures on corporate governance are provided in the chapter on "Corporate Governance Report" of this Annual Report.

## Financial Analysis: (Total Assets)

The consolidated assets of the bank stood at BDT 146,073 million in 2015 compared to BDT 116,300 million in 2014. Total assets of MTB stood at BDT 145,577 million in 2015 compared to BDT 115,706 million in 2014, with a growth of 25.82 percent. MTB has been successful in marketing significant amount of loans and advances by launching new and innovative products in the market-place.

### MTB Funds under Management

BDT Million

	2015	2014	Growth
Deposits	118,405	96,065	23.25%
Advances	97,589	77,141	26.51%
Funds Under Management (FUM)	215,994	173,206	24.70%

### Cash and Balances with Bangladesh Bank and its Agents

MTB's consolidated cash and balances with Bangladesh Bank and its Agents stood at BDT 9,485 million in 2015 compared to BDT 8,934 million in 2014. The growth in customer deposits has also resulted in an increase in the Cash Reserve Requirement (CRR) set by Bangladesh Bank.

### Balances with other banks and financial institutions

MTB's consolidated balances of accounts with other banks and financial institutions stood at BDT 3,134 million in 2015 compared to BDT 2,174 million in 2014. This was BDT 3,125 million in 2015 compared to BDT 1,970 million in 2014 for MTB only.

### Investments

MTB's investments increased during the year under review by BDT 5,387 million to BDT 25,793 million in 2015. The increase is mainly due to holdings in Government Securities.

### Loans and Advances

MTB's consolidated loans and advances stood at BDT 97,589 million in 2015. Outstanding loans and advances of the Off-Shore Banking Unit was BDT 1286 million in 2015 compared to BDT 598 million in 2014. The details of loans and advances are given in the Note No. 7 to the Accounts. The ratio of non-performing loans of MTB stood at 2.08 percent, which was happily much below the industry average.

### Liabilities

The consolidated total liabilities of the bank stood at BDT 137,144 million in 2015 compared to BDT 109,530 million in 2014. MTB's total liabilities rose to BDT 136,617 million in 2015 from BDT 108,902 million in 2014, with a steady growth of 25.45 percent. The increase in liabilities was mainly due to growth in deposits and borrowings.

### Borrowings from other banks, financial institutions and agents

MTB's total borrowings stood at BDT 5,096 million in 2015, which was BDT 3,744 million in 2014.

### Deposits

MTB customer deposits grew by 23.25 percent to BDT 118,405 million in 2015. The growth was supported by its extensive branch network, spread throughout the country. With the setting up of 106 branches and alternate delivery channels, MTB has been able to obtain more low cost funds in 2015. Fixed deposits contributed substantially to the total deposits. Cost of deposit decreased to 6.94% in 2015 compared to 7.97% in 2014.

BDT Million

Deposits	2015	2014	Growth over 2014
Current Deposit & Other Accounts	9,586	8,224	16.56%
Bills payable	1,253	1,284	-2.41%
Saving Deposits	17,908	14,384	24.50%
Special Notice Deposits	13,677	7,997	71.02%
Fixed Deposit	55,708	49,412	12.74%
Deposit-Products	20,272	14,764	37.31%
<b>Total Deposits</b>	<b>118,405</b>	<b>96,065</b>	<b>23.25%</b>

## Shareholders' Equity

MTB's consolidated shareholders' equity increased by 31.89% to BDT 8,929.18 million in 2015. The bank's paid-up capital increased by 20% to BDT 3,693.16 million in 2015. Statutory reserves increased by 19.55% to BDT 2,72 million during 2015. Total distributable profit stood at BDT 786.95 million in 2015.

## Analysis of Income Statement of MTB

BDT Million

SL	Particulars	2015	2014	Growth over 2014
1	Interest Income	10,790	9,717	11.04%
2	Interest Expenditure	7,926	7,882	0.56%
3	Net Interest Margin (NIM)	2,864	1,835	56.08%
4	Net Interest Margin (NIM) Ratio	3.00%	2.44%	0.55%
5	Income from Investment, Commission, Brokerage	3,716	3,855	-3.61%
6	Total Net Income (Net Interest Income + Non Interest Income)	6,580	5,690	15.64%
7	Operating Expenditure	3,769	3,087	22.11%
8	Profit Before Provision	2,810	2,603	7.98%
9	Net Profit after tax	1,366	962	42.08%

### Interest Income

MTB's interest income increased by 11.05% to BDT 10,790 million in 2015. The gross yield on advances stood at 12.64% in 2015 compared to 14.71% in 2014.

### Interest Expense

Interest expenditure increased by 0.56% to BDT 7,926 million in 2015.

### Net Interest Margin

MTB's Net Interest Margin (NIM) increased by 56.08% to BDT 2,864 million in 2015. The increase in Interest Income contributed largely to the increase in Net Interest Margin. MTB's Net Interest Margin ratio stood at 3.00% in 2015 compared to 2.44% in 2014.

### Income from Investments, Commission, Exchange, Brokerage and Other Operating Activities

The Income from Investments, Commission, Exchange, Brokerage and Other Operating Income decreased to BDT 3,716 million compared to BDT 3,855 million in 2014, mainly due to lower yields in Government Securities.

### Total Operating Expenses

MTB's total operating expenses increased by 22.11% to BDT 3,769 million in 2015 compared to BDT 3,087 million in 2014. This is attributable to costs associated with expanding the network, products and services, and better market-oriented salaries to ensure that the bank is able to attract and retain high quality human resources.

### Provision for Loans and Advances

MTB's total provision against loans and advances for the year 2015 was BDT 439.37 million compared to BDT 427.53 million in 2014. The Non- Performing Loan ratio improved considerably during the year under review and is one of the best in the country.

Particulars	2015	2014
NPL ratio	2.08%	2.67%

### Profit before Tax

Profit before Tax stood at BDT 2,273.64 million in 2015 with a growth of 17.84% as against BDT 1,929.39 million in 2014.

### Provision for Income Tax

MTB's provision for Income Tax was BDT 907.43 million in 2015 compared to BDT 967.84 million in 2014.

### Net Profit after Tax

Net Profit After Tax registered a substantial growth of 42.08% to BDT 1,366 million in 2015 compared to BDT 962 million in 2014. MTB's basic Earnings Per Share (EPS) increased to BDT 3.70 in 2015 compared to BDT 2.60 in 2014.

### Statutory Reserves

As per the Bank Company Act 1991 (as amended in 2013), 20 percent of the Profit before Tax is required to be transferred to statutory reserve. As such, an amount of BDT 445.06 million has been transferred to statutory reserve in 2015.

### Dividends

The fund available for distribution was BDT 786.95 million in 2015. In order to maintain a satisfactory Capital Adequacy ratio of the bank, the Board has decided to recommend 20% Stock Dividend for the year 2015.

### Remuneration of Directors

As per BRPD Circular No.09 dated 19/09/1996, the Chairman of the bank may be provided a car, telephone, office and private secretary. However, MTB only pays the prescribed fees to its Directors for attending meetings of the Board and its Executive Committee, Audit Committee and Risk Management Committee. The Managing Director and CEO is paid a salary and allowances, in accordance with the approval of the bank's Board of Directors and Bangladesh Bank.

### Adequate Accounting Records

MTB maintains all books of accounts and other records in accordance with the prevailing rules and regulations - Section 181 of The Companies Act, 1994; Bank Companies Act, 1991 as amended in 2013, Tax Ordinance and Rules, VAT Act, BSEC and DSE rules and regulations and Bangladesh Bank's guidelines.

### Accounting Policy and Implementation of BAS/BFRS

The Board of Directors is responsible for the preparation and fair presentation of the Bank's Annual Financial Statements, incorporating its financial position in 2015, comprehensive income, changes in equity and cash flow during the year, and the notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory notes in accordance with the Bangladesh Financial Reporting Standards (BFRS) and in the manner required by the Companies Act, 1994.

The directors' responsibilities also include designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these Financial Statements, that are free from material mis-statement, whether due to fraud and error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Internal Control and Compliance (ICC) System

The MTB Board of Directors has responsibility in order to ensure compliance at all levels in the bank's day-to-day activities. The ICC Division ensures the internal control structure in the bank with appropriate assignments, accountability of the personnel and delegation of authorities to functional management to create control and ensure a compliance culture within the organization under the active guidance and supervision of the Senior Management and the Board of Directors. The Bank Companies Act, 1991, as amended in 2013, requires some changes in the reporting line and organogram of the ICC Division. Meanwhile, the reporting line has been changed and the organogram revamped, to ensure that internal audit functions are dealt with independently from the ambit of management and its report is submitted to the Board Audit Committee of the Bank.

### Standards of Reporting

The financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) as adopted by The Institute of Chartered Accountants of Bangladesh, Bank Companies Act 1991 as amended in 2013, applicable provisions of the Companies Act, 1994; Bangladesh Securities and Exchange Commission's rules and regulations and Bangladesh Bank's BRPD Circular No. 14, dated June 25, 2003. The Management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that they reflect the financial operations of the Bank in a true and fair manner.

### **Going Concern**

Going Concern is one of the fundamental assumptions in accounting, on the basis of which the financial statements are prepared. According to the Going Concern Assumption, a business entity will continue to operate in the foreseeable future, without the need or intention on the part of its management to liquidate the entity, or to significantly curtail its operational activities. Therefore, it is assumed that the entity will realize its assets and settle its obligations in the normal course of the business. It is the responsibility of the management of a company to determine whether the going concern assumption is appropriate in the preparation of financial statements. MTB has prepared its Financial Statement considering the going concern assumption.

### **Control Environment**

Control activities are the policies and procedures which help ensure that the management directives are carried out, and necessary actions are taken to minimize the risks of failure to meet stated objectives. The policies and procedures are effectively established within the Bank and are continuously reviewed for compliance, adequacy and improvement.

The Board of Directors sets the tone for an effective control environment through regular reviews of the processes for identifying, evaluating, and managing significant risks. The Standard Operating Procedures (SOP) are signed off by the Heads of each Department to provide assurance that these standards are communicated, understood and complied with. An effective Control environment is set by top management in all spheres and across all business functions. Every year, the senior team conducts a self-assessment of key controls that affect the business, and develops action plans to make the internal control environment more robust

### **Supplier Payment Policy**

MTB has developed and implemented a set of payment policies for all its suppliers. The payment methods and system are explained to the vendors before issuing purchase orders. Bills are paid according to the payment terms and VAT and other withholding taxes are deducted from bills as per the law. As of date, there is no legal case filed by the bank or filed against it by any supplier.

### **Related Party Transactions**

The details of transactions of related parties of the company have been given in Notes 44 of the financial statements.

### **Shareholders' Value**

MTB remains fully committed to delivery of higher shareholder value. The high profitability track record underpins the value the shareholders derived from investing in the shares of the bank. The Earnings Per Share increased and stood at BDT 3.70 and Return on Average Equity stood at 17.40% during 2015. Market capitalization of MTB stood at BDT 7,201.66 million as at December 31, 2015.

### **Meetings of the MTB Board of Directors**

Thirteen meetings of the MTB Board were held in 2015.

### **Appointment of Auditors**

M. J. Abedin & Co. was appointed as External Auditors for 2015.

### **Annual General Meeting**

The Annual General Meeting of Mutual Trust Bank will be held on Monday, April 25, 2016 at the International Convention City, Bashundhara (Pushpoguscho), Joarsahara, Khilkhet, Dhaka 1229 at 10:00 am. The Directors' Report and financial statements were approved at the 190th Board Meeting held on March 15, 2016 for presentation to the shareholders.

I would like to thank all our shareholders i.e. members, regulators, depositors, clients, authorities for helping us in our journey.

Thank you.

On behalf of the Board of Directors



M. A. Rouf, JP  
Chairman



## Financial Analysis

2015 was a focus year for Mutual Trust Bank Ltd. as regards expansion and diversification of various business lines. A strategic approach stream lining diverse business opportunities has been undertaken, but due to the adverse economic situation it was not a completely successful business year. We achieved a remarkable growth in diversification of business, though the year was marked with the fierce competition amongst the major players seeking to stream line themselves successfully in order to keep pace with transformation.

As of the year 2015, MTB's total assets along with subsidiary had risen by 25.60% over 2014, reaching BDT 146,073 million. Accompanying this quantitative growth was an improvement in asset quality, with our careful risk management measures contributing to high quality loans and advances. The NPL ratio of the bank was decreased to 2.08% from 2.67% which is still much lower than that of country's NPL.

In 2015, our Net Income increased by 42.08% to BDT 1,366 million from 962 million over the previous year. A number of successful strategies were taken in 2015, including steady growth of our savings and lending businesses, development of more innovative and customer-centric financial products.

### Analysis of Consolidated Financial Statements

#### Total Assets

The Bank's total assets posted a 25.60% increase in 2015, rose from BDT 116,301 million to BDT 146,073 million. A major contributor to this growth was the increase in loans and advances, which grew by 26.51%, from BDT 77,141 million to BDT 97,589 million. Fixed assets of the Bank also increased to BDT 3,182 million from BDT 2,489 million portraying an increase of 27.84%.

MTB also increased its Cash Reserve Requirement (CRR) maintained with Bangladesh Bank (BB) and its agents in the year 2015. The earnings asset grew at a rate of 29.24% to BDT 126,686 million.

#### Summary of Assets in Balance Sheet:

BDT Million			
Particulars	2015	2014	(%) Change
Total Assets	146,073	116,301	25.60%
Loans & Advances	97,589	77,141	26.51%
Fixed Assets	3,182	2,489	27.84%
Other Assets	4,683	4,796	(2.36%)

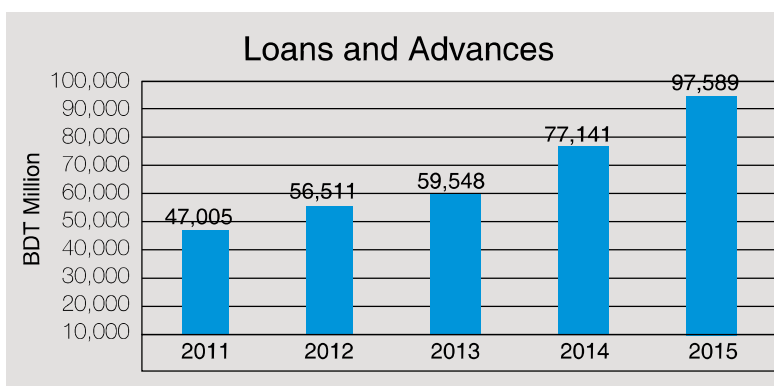
#### Loans and Advances:

The Bank's exposure to loans and advances increased from BDT 77,141 million to BDT 97,589 million in 2015 registering a 26.51% growth over the last year. With a pie of around 79.64% in corporate lending, MTB's credit exposure is well diversified and spread over more than 14 sectors such as agriculture, textile & RMG, ship- building, ship-breaking, construction, transportation, service industries, etc. Retail and SME together constitute more than 12.53% of the loan portfolio.

Overdraft against Margin loan stands BDT 3,832.05 million in the year 2015 from BDT 3,995.75 million in the year 2014 in MTB Securities Ltd. a subsidiary of MTB.

#### Asset Quality & Non-Performing Loans (NPL)

At the end of year 2015, the Bank's total credit was up by 26.51% over 2014, showing an increase of BDT 20,448 million. Despite this growth, the Bank's NPL ratio decreased to 2.08% from 2.67%.



The Bank has been able to keep the NPL ratio at a manageable level due to the prudent risk management strategies, a committed recovery team and excellent monitoring and control system.

BDT Million		
Particulars	2015	2014
Total Loans & Advances	97,589	77,141
Non-performing Loans(NPL)	2,034	2,060
NPL ratio	2.08%	2.67%

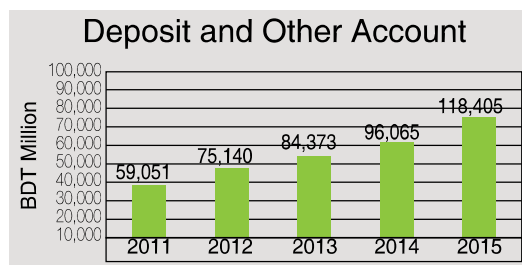
## Liabilities and Shareholders' Equity

### Liabilities

Total liabilities (excluding equity) stood at BDT 137,144 million at the end 2015 which was 25.21% more than the previous year's figure. This increase in liabilities is mainly due to increase in deposits from customers and borrowing from other banks.

### Total Deposits

Deposits represent the largest portion of total liabilities of the bank. This year, it saw an increase of 23.26%, to BDT 118,405 Million from BDT 96,065. Over the past five years, MTB was able to almost double its deposits portfolio from BDT 45,846 million in the year 2010 to BDT 118,405 million in the year 2015.



### Deposit Mix and Growth

The deposit mix showed significant changes during the year 2015

Particulars	BDT million		Growth (%)	Mix	
	2015	2014		2015	2014
Current Deposit & Other Accounts	9,586	8,224	16.56%	8.10%	8.56%
Bills Payable	1,253	1,284	-2.41%	1.06%	1.34%
Savings Deposit	17,908	14,384	24.50%	15.12%	14.97%
Special Noticed Deposit	13,677	7,997	71.03%	11.55%	8.32%
Fixed Deposit	55,708	49,412	12.74%	47.05%	51.44%
Deposit-Products	20,272	14,764	37.31%	17.12%	15.37%
<b>Total</b>	<b>118,405</b>	<b>96,065</b>	<b>23.26%</b>	<b>100%</b>	<b>100%</b>

The proportion of fixed deposit (high cost deposit) increased by 12.74% i.e. from BDT 49,412 million to BDT 55,708 million. Deposit Products also increased by 37.31% to BDT 20,272 million from BDT 14,764 million. In addition to this, zero cost deposit increased by 16.56%, BDT 1,362 million i.e. from BDT 8,224 million to BDT 9,586 million.

### Shareholders' Equity

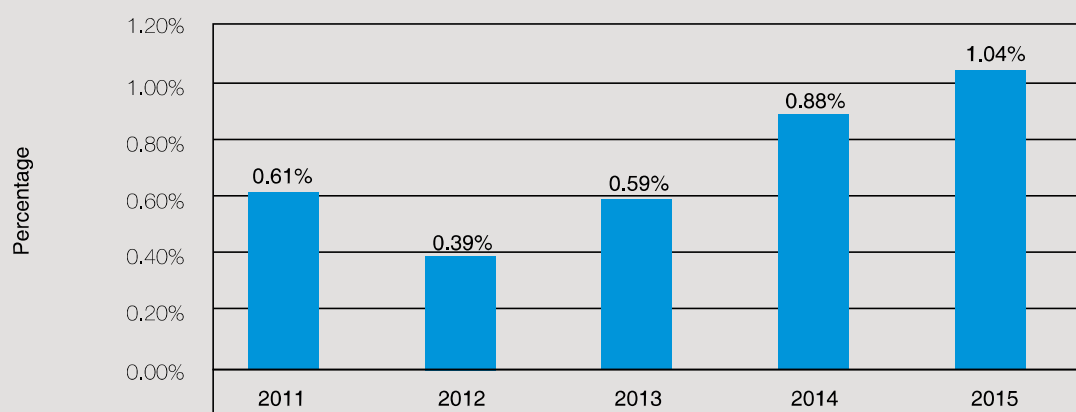
Shareholders' equity increased from BDT 8,929 million to BDT 6,770 million in 2015. This rise, propelled by earnings growth, was also reflected in consolidated net income. General reserve is kept BDT 446.77 million due to a policy for strengthening the reserve base for taking over any future claim for tax and others.

Consolidated Earnings per Share (EPS) stood at BDT3.70 (Face value per Share BDT 10) and Return on Average Equity (RoAE) at 17.40% during 2015. Market capitalization stood at BDT 7,202 million as of December 2015. During 2015, the Bank declared 20% stock dividend.

## Summary of Shareholders' Equity:

Particulars	BDT million		Growth (%)
	2015	2014	
Paid up Capital	3,693	3,078	20.00%
Statutory Reserve	2,721	2,276	19.55%
Revaluation Reserve on Investment in Securities	1,312	520	152.14%
Foreign Currency Translation Gain	3	2	43.61%
General Reserve	447	277	61.42%
Retained Earnings	753	617	21.97%
<b>Total Shareholders' Equity</b>	<b>8,929</b>	<b>6,770</b>	<b>31.89%</b>

## Return on Average Assets (ROAA)



## Capital to Risk weighted Assets Ratio:

The Bank's Capital to Risk weighted Assets Ratio increased by 1.25% at the end of 2015. The main reasons for increase were the increase of Tier-II Capital i.e a new issuance of BDT 3,000 Million of Subordinated Bond & also increased retained earnings 21.97% i.e. BDT 753 Million in 2015 from BDT 617 Million in 2014. In terms of Capital to Risk weighted Assets Ratio, Tier-I capital edged up to post 7.33% at the end of the year 2015. A significant positive effect was made in Tier-II capital for issuance of Subordinated Debt.

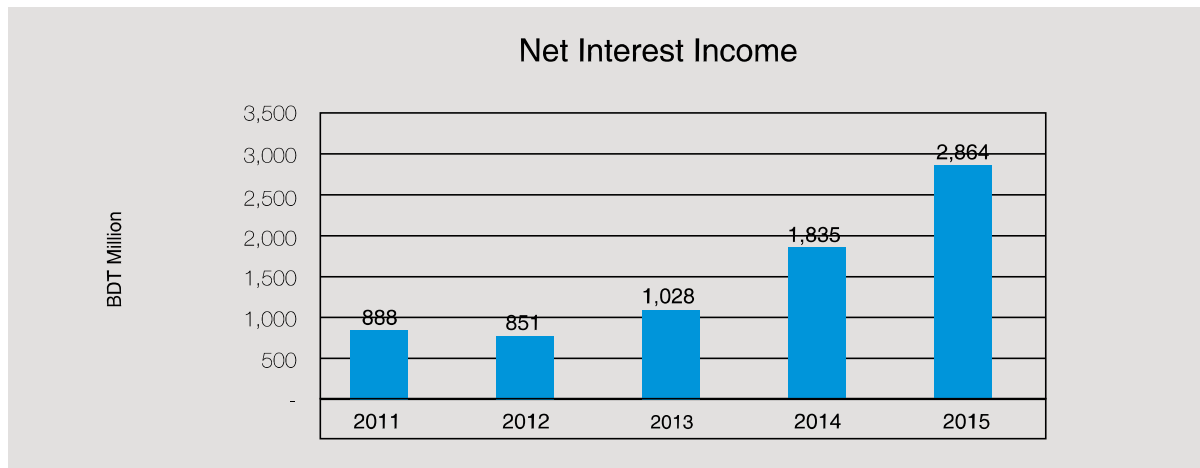
## Position of Capital to Risk weighted Assets Ratio:

Particulars	2015	2014	Change
Required/Base Ratio	10%	10%	-
Tier I Ratio (%)	7.33%	7.72%	(0.39%)
Tier II Ratio (%)	4.69%	3.05%	1.64%
Maintained Ratio	12.02%	10.77%	1.25%

## Earning Analysis

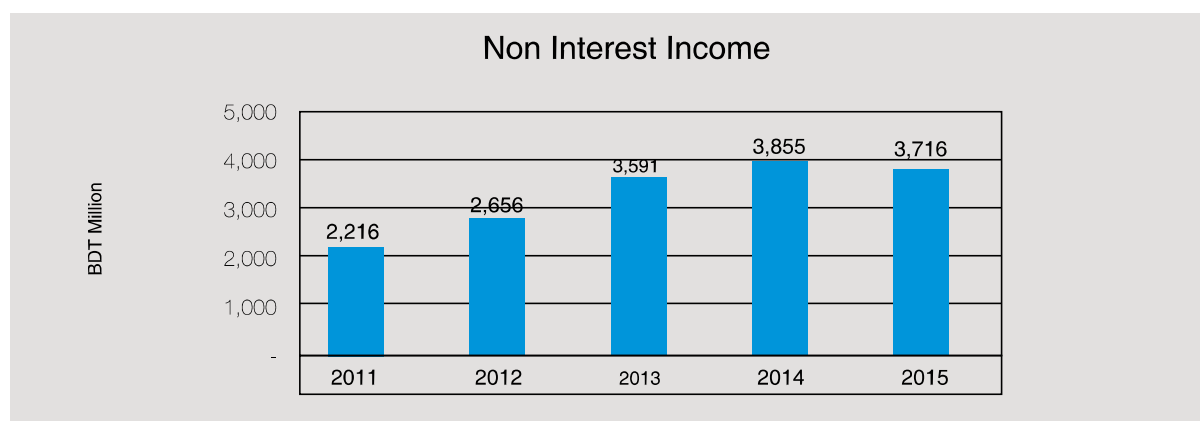
### Net Interest Income

Total interest income in 2015 showed a positive growth of 11.05% to reach BDT 10,790 million from BDT 9,717 million despite numerous challenges. Interest expenses in the year were BDT 7,926 million which increased by 0.56% from 2014 (BDT 7,882 million). Comparatively, the growth of interest income is higher than the growth of interest expense, the resultant Net Interest Margin (NIM) showed a positive growth by 56.08% in 2015 (BDT 2,864 million in 2015 and BDT 1,835 million in 2014).



#### Non-interest Income

In 2015, investment income, fee income from assurance/guarantee, beneficiary certificates and brokerage, credit cards and foreign exchange trading gains reached an amount of BDT 3,716 million collectively, which was 3.61% lower than 2014 (BDT 3,855 million). Investment income consists of interest earned on treasury bills & bonds and dividend received on shares.



#### Operating Expenses

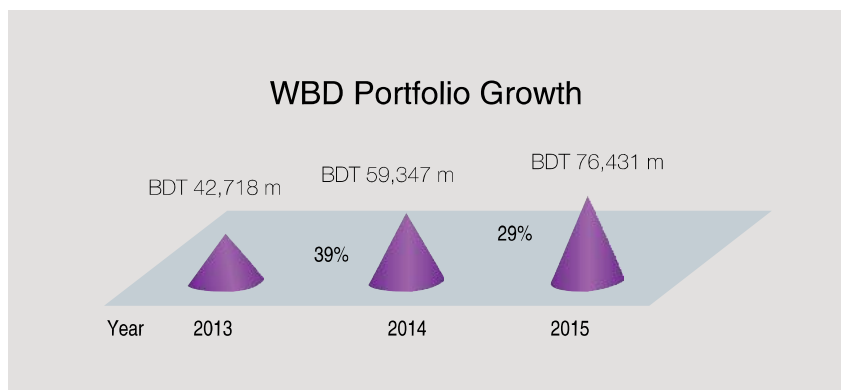
Total operating expenses increased by 22.10%, or BDT 682 million is resulting to an amount of BDT 3,769 million in 2015. This is because of a significant increase in people cost, rental, advertisement and other expenses, which include mainly employee training, business development, registration fees, security services for additional branches etc.

The Bank provided full provision for gratuity payment, which was BDT 100 million in 2015. Increase of fixed assets also caused a 19.07% increase in depreciation charged during the year 2015. The headcount slightly increased by 13.56% throughout the year mainly due to opening of new branches, expansion business network.

Particulars	2015	2014
Operating Income per employee	3.65M	3.59M
Profit before tax per employee	1.26M	1.22M

## Wholesale Banking Division

The Wholesale Banking Division (WBD) is an integrated and specialized business unit of MTB dedicated towards generating corporate business from top tier clients of the country. This division consists of Corporate Business unit, Branch Support Unit, Off-shore Banking, Cash Management Unit and Structured Finance Unit. Although, MTB historically operates through the branch banking model, the Wholesale Banking Division also has a wing or unit which is called corporate business unit that operates centrally and has been extremely successful in its business pursuits. The division takes pride in its diversified portfolio comprising of all major sectors such as garments and textiles, spinning, pharmaceuticals, steel and cement, power, paper, plastic, melamine, petro-chemicals, poultry and feeds, shipbuilding, ship breaking renewable energy etc. Dedicated team of Relationship Managers at WBD process the credit proposals and places these proposals for approval after complying with regulatory issues and guidelines. Furthermore, the unit is engaged in maintaining value based relationship with top-ranking customers and regularly gives drive for new customers booking and maintains relationship with existing top-ranking customers to cater the customer's needs on a priority basis.



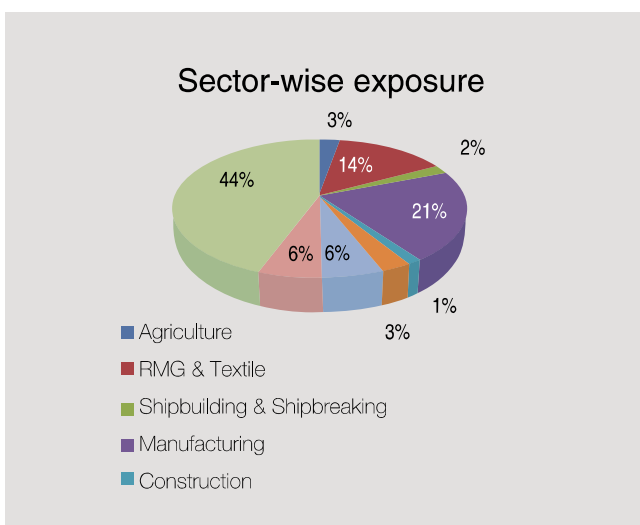
The footprint in all major sectors has been possible through focused marketing, identifying quality clients, offering innovative products and providing prompt and efficient services. In 2015, the portfolio of the Wholesale Banking Division grew from BDT 59,347 million in 2014 to BDT 76,431 million. This is a 29% growth from that of 2014. As of December 31, 2015, the total lending portfolio of the Bank stood at BDT 96,258 million out of which the Wholesale Banking Division contributed BDT 76,431 million, which constitutes 79.4% of the total portfolio.

The above growth was possible in the backdrop of a turbulent start of the year 2015 marred by political instability during the first three months. However, the country witnessed a relatively improved political atmosphere and stable macroeconomic indicators during the rest of the year. The government initiatives to undertake several major infrastructure projects such as Padma Bridge, Dhaka Metro Rail, Bus Rapid Transit and signing of major deals for large power projects infused positive energy which helped to create a favorable atmosphere for the economy.

Between 2004 and 2015, Bangladesh averaged a GDP growth rate of 6%, despite political instability, poor infrastructure, insufficient power supplies and slow economic reforms. The economy is increasingly led by export-oriented industrialization. The Bangladesh textile industry is the second-largest in the world. According to experts, the economic outlook is very much positive for 2016 and 2017. With this viewpoint in mind, the Wholesale Banking Division is expected to grow further in the upcoming years.

### Branch Support Unit

The Branch Support Unit provides approval, monitoring and quality compliance support to the clients managed at the branch level. This unit is



a dedicated team of risk managers who process the credit proposals received from different branches and places these proposals for approval after complying with regulatory issues and guidelines.

### **Syndication and Structured Finance Unit**

MTB is one of the leaders in the country's Syndication and Structured Finance market, with experienced and accomplished bankers who have good experience in the market and related products and services. They enable the bank's corporate clients to access large loans through some of the most innovative and cost efficient structures. We provide clients access to a broad range of tailored financing solutions by matching our borrower/issuer requirements, with a vast array of investors, with whom we are in constant contact, so that clients do not have to approach individual banks, separately, to arrange funds for large projects.

With this in mind, the MTB Structured Finance Unit offers a number of products to fit clients' business requirements. Our product basket contains both funded and non-funded facilities, ranging from diversified Long Term Financing facilities to a full-range of Short Term lending products to meet day to day operations. SFU offers great flexibility in terms of maturity structure, security design and asset types, which allows issuers to provide enhanced returns at a customized degree of diversification, corresponding to an individual investor's appetite for risk.

### **Some of the highlights of our achievements in 2015 are:**

1. Signed a participation agreement with Bangladesh Bank on financing local manufacturing entities in foreign currency, under a USD 300 million Financial Sector Support Project (FSSP)
2. Successfully closed four Commercial Paper deals as the Lead Arranger
3. Disbursed loans aggregating USD 20 million under Investment Promotion & Financing Facility (IPFF)



## Retail Banking Division (RBD)

The year 2015 was challenging for the country's overall economy as the first quarter of the year had a stuttering start faced huge political disorder and later went ahead with investment stringency. However, Mutual Trust Bank Limited (MTB) has figured out how to maintain its positive growth from the experience of earlier years.

MTB is constructing a speedy progress to establish itself as the leading and technologically advanced private bank in the country. While the wholesale banking, for the most part, has been the growth engine for the bank, MTB management puts its long term strategy also in Retail Banking growth. It is noteworthy that, success of Retail Banking contributes to the foundation for sustainable growth of the bank.

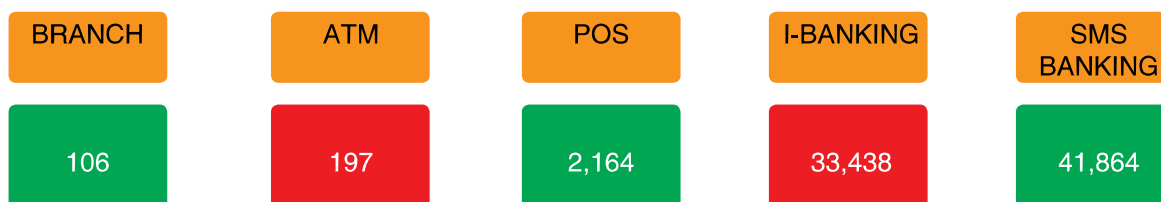
Retail activities are directed through Branch Network, ATM, Call Centre, Internet and SMS banking services, and via the division's specialized Payroll Banking relationship managers. Apart from that, MTB Card Division and Privilege Banking has prodigious role for taking ahead the retail portfolio.

As part of Retail, MTB Payroll Banking has played significant protagonist to the growth of retail business in 2015. MTB Payroll Banking which is known as (Corporate Employee Privilege Programs, CEPP) formally started the journey from September, 2014.

### Highlights of 2015

Acquired 117,294 New Account  
Savings Portfolio grew by BDT 3524.58 million & 24.50% compared to previous year  
Achieved 15.52% Growth of Loans and Advances  
Top notch Company Acquisition under Payroll  
Payroll Company Acquisition Growth 49.38%  
Payroll Savings Account Growth 46.67%

### Channel Standing 2015



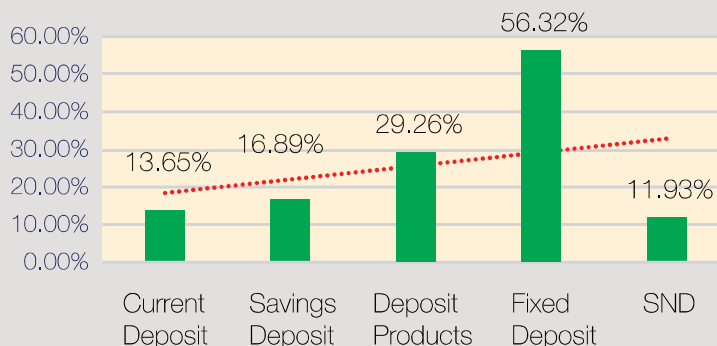
### Deposit Business Growth:

The deposit growth of the bank has been outstretched 20.71% and 22.21% in terms of number of account and account balance in 2015 respectively. MTB has acquired incremental growth on each product with a view to better manage of bank's deposit portfolio through optimum mix of Current Account and Savings Account (CASA), Term Deposit (TD) and Special Notice Deposit (SND). To structure a deposit portfolio properly the management of MTB considering following factors, some of which include the composition of the market-area economic base, the ability to employ deposits profitably. This graph shows decent growth of number of accounts for each product in 2015 compared to the previous year.

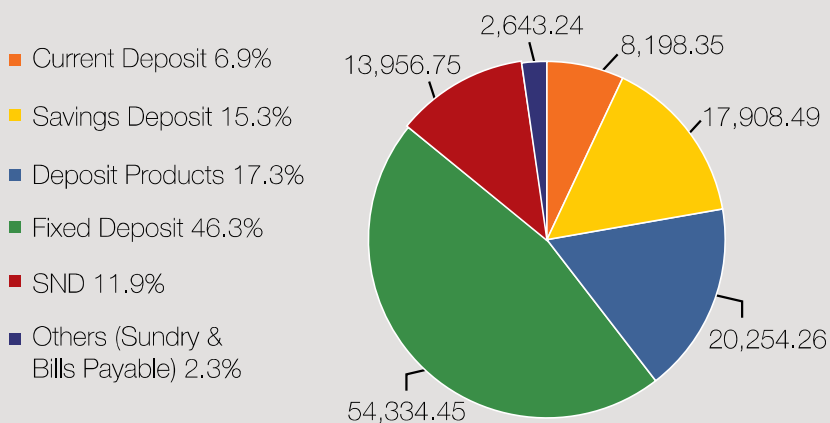
### Aggregate Portfolio of Deposit:

The deposit portfolio erected at BDT 118.68 billion at the end of year 2015. The graph directing superior growth of the balance sheet of entire portfolio in terms of account balance in 2015, registering 22.21% growth over the last year.

### Product Wise Growth in 2015 (In terms of no. of A/C)



### Portfolio of Deposit Mix as of 2015 (Figure in BDT million & Percentage Ratio)



### Key Priority in 2016

Portfolio retention has become a challenge in the backdrop of the entry of newer players, who are capturing market share by offering lower rates of interest. We counter this risk through the formation of a dedicated team for portfolio retention management, periodic rate revision in line with the CoFI (cost of fund index) for Banks as published by the Bangladesh Bank.

### Loans and Advances:

The Bank's exposure to loans and advances increased from BDT 1911.79 million to BDT 2208.47 million in 2015 registering **15.52%** growth over the last year. This year 2015 MTB has brought significant transformation of Auto Loan business with **148.13%** growth over the last year.

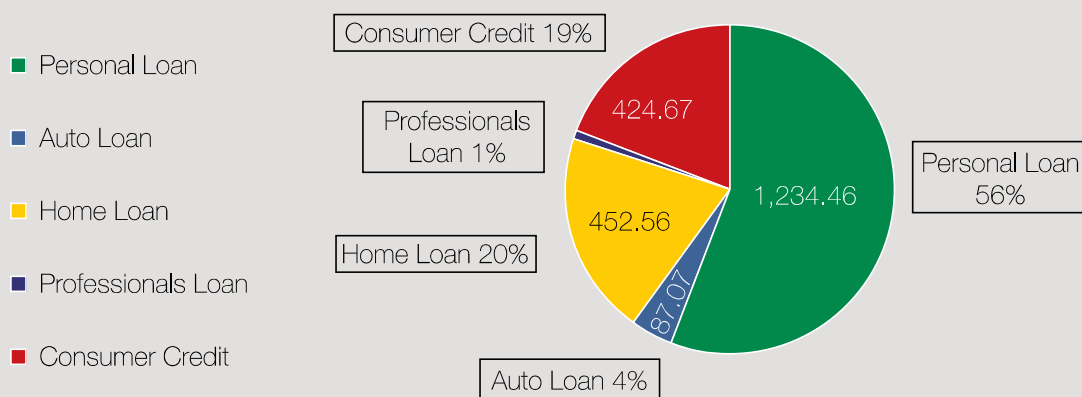
The year 2015 was very fruitful, yielding positive changes in almost all key indicators like per employee productivity, value addition to existing products offering, optimization in portfolio mix, new product packaging and so on. This year, MTB Retail collection team has taken over the responsibility of recovery/collection activities and it was a tremendous success. The performance was superior compared to previous years. In 2015, classified loan volume in retail loan portfolio decreased significantly.

Growth of Loan Outstanding (BDT million)			
Product	Year 2014	Year 2015	Change in Ratio
Personal Loan	947.45	1,234.46	30.29%
Auto Loan	35.09	87.07	148.13%
Home Loan	388.26	452.56	16.56%
Professionals Loan	13.03	10.80	-17.11%
Consumer Credit	527.96	424.67	-19.56%
Total	1,911.79	2,208.47	15.52%

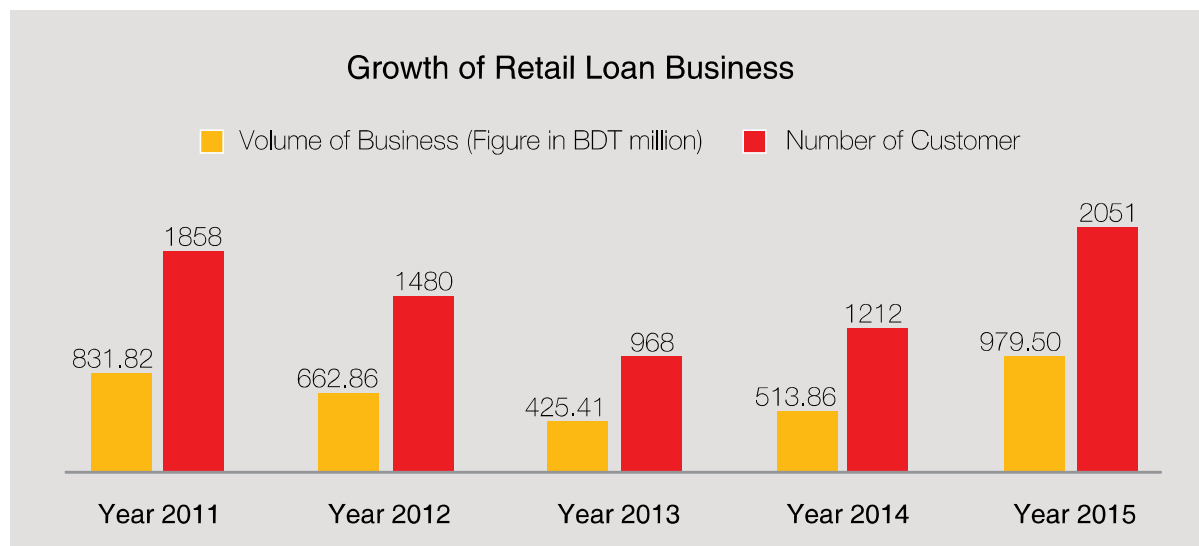
### Non-Performing Loan Ratio:

Type of Loan	CL Outstanding (BDT)	CL% of Total Portfolio
Retail Loans	118.06	6.61%

### Portfolio of MTB Retail Loans till 2015 Loan Outstanding (Figure BDT million & Percentage Ratio)



## Five Years Headway of MTB Retail Loans



### Key Priorities in 2016

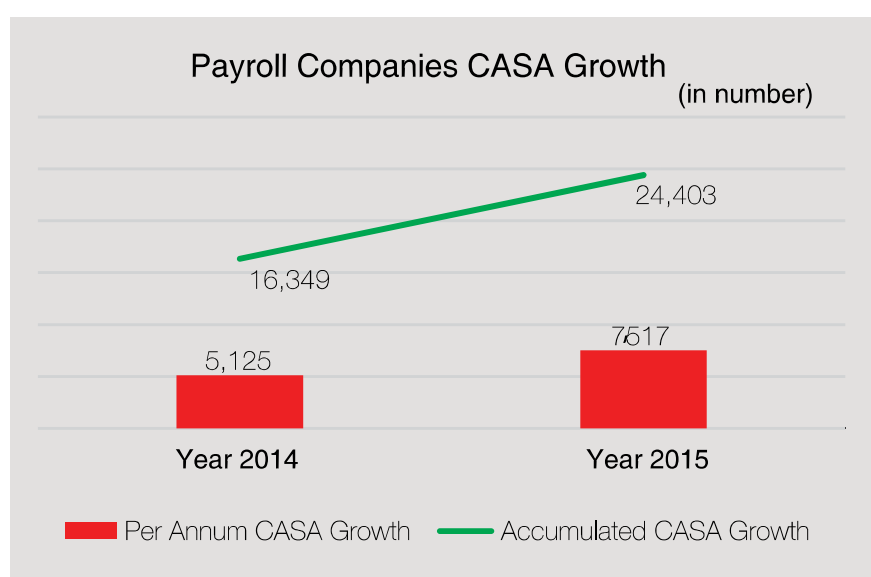
- 1 Maintaining a delicate balance between portfolio growth and asset quality to ensure both profitability and sustainability in the long run.
- 2 Ensure to maintain quality loan sourcing - due to a growth in business volumes and the number of customers every day, we are enhancing our focus on loan origination for ensuring the quality of loan applications. In order to monitor and improve this metric, we have created segment-wise financial solutions and have laid stronger emphasis on customer-centricity.
- 3 Ensure to maintain operational risk with highest priority - as a business, we are exposed to higher operational risks due to the increasing number of customers. We are mitigating these risks through our specialized Compliance and Monitoring team and strengthening our sales governance functions for reducing miss selling, customer complaints, fraud and financial losses.

### MTB Payroll Banking:

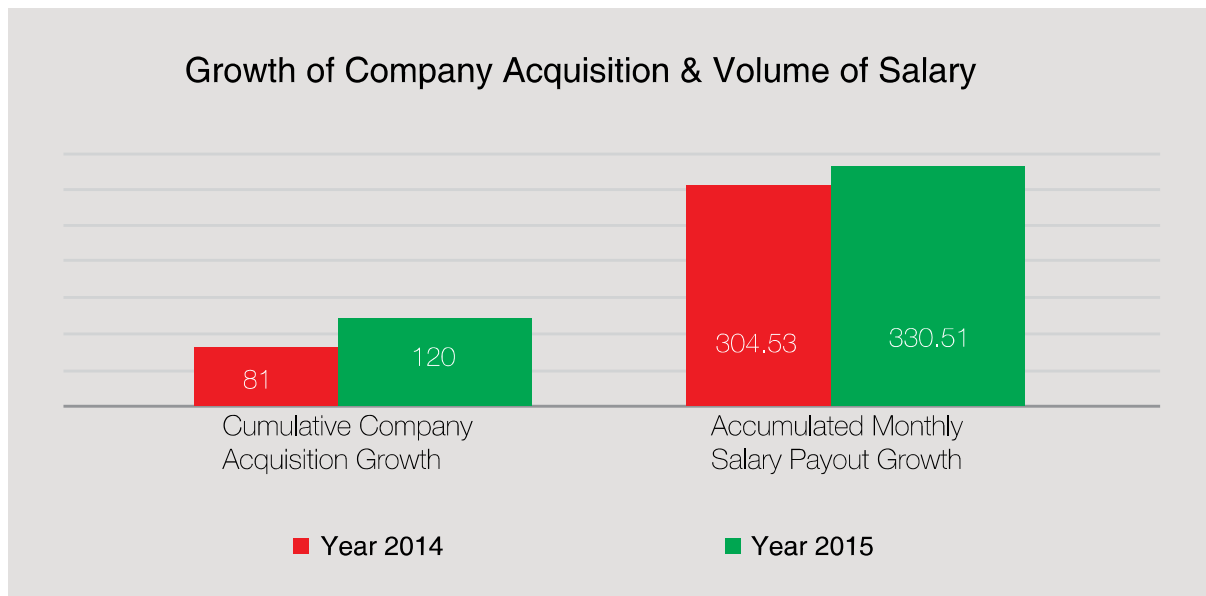
MTB Payroll Banking offer personalized and integrated payroll services that eliminate paperwork & cost and provide comprehensive package to the employees of prospective organizations.

Salary account is always considered an attractive proposition for both the banks and the customers. Since client can do their daily transactions through this account and earn some interest, they consider this as savings account which is

a vital part of their daily business life. On the other hand, bank also like to mobilize ample low cost fund through salary account and ensure to grow healthy portfolio through cross-selling relationship.



After formally start MTB Payroll Team has done laudable contribution of retail business in 2015 in terms of top-notch company acquisition (such as; MNC/LLC), growth of savings account & monthly salary volume, and keep impact of cross-selling from diverse arena of the bank.



## MTB Green Banking

Green Banking approach involves using environment friendly practices at every level within the banking organization and also considers the environmental aspect of the projects aiming to reduce carbon footprint while funding and investing in the commercial projects.

Human activities and natural events are responsible for increasing average global temperatures and increasing "greenhouse gas" such as Carbon Dioxide (CO<sub>2</sub>). A warming planet leads to change in climate which can affect weather in various ways. Global warming and climate change refer to an increase in average global temperatures.



Climate change is already beginning to transform life on Earth. Around the globe, seasons are shifting, temperatures are climbing and sea levels are rising. If we don't act rightly, the climate change will rapidly alter the lands and waters and then we have to leave our children and grandchildren in a very precarious situation.

As a responsible corporate entity, MTB has a strong commitment towards developing sustainable energy finance in Bangladesh. The bank has developed a dedicated product called MTB Green Energy Loan. This loan is an environment friendly Green Credit product that enables the prospective customers to set up renewable energy projects such as solar, biogas, wind, and hydro and any other potential renewable plants and help reduce the carbon footprint in the country.

### MTB Green Initiatives:

As one of the leading commercial banks of the country, MTB is committed to ensure complying with the environmental regulation for maintaining ecological balance and retaining the globe safely habitable for all living beings and their future generation. In compliance with Bangladesh Bank guidelines, MTB has formed Green Banking Cell aiming to develop green banking policies, planning and overseeing the overall green banking activities of the bank. Besides, one of the strategic focuses of MTB is efficient energy consumption, paperless office, financing renewable energy etc.

To ensure Green Banking practices in the bank, MTB has introduced "Green Banking Policy" as instructed by Bangladesh Bank. This policy covers those areas that ensure sustainable environment i.e. in-house environment management, green financing, awareness building among stakeholders of the bank.

### MTB Green Office Guide:

The Bank has developed Green Office Guide for all employees to create awareness on green banking activities & providing instructions on efficient use of energy, water, saving paper, etc.

MTB has incorporated the Environmental Risk Policy in its Credit Risk Management Policy as part of the due diligence review. The bank is allowing facilities to the client followed by all concerned and reviewed under Environmental Due Diligence (EDD) checklists.



### Creation of Green Marketing System:

MTB has established fully IT based green marketing system covering all available modern facilities. Customers are continuously encouraged through e-mail and other electronic means to use environment friendly banking tools. All MTB outlets across the country send e-statement, e-card in the festivals and other necessary documents through e-mail. MTB always encourage to clients to communicate and to send documents through e-mail with a view to avoid use of papers.

### Use of Online Banking and Internet banking facilities:

MTB is providing online banking facilities through its core banking system. Fund Transfer to other bank's account through BEFTN has been made available through Online Banking. As a result, customers can execute fund transfer through paperless



and automated Online Banking over internet to any other account in Bangladesh. MTB has also offered a safe and convenient 24/7 Internet Banking facilities to its customers. By using MTB Internet banking, customers can avail the services like balance enquiry, balance transfer, view account statement, mobile recharge, utility bill payment etc.

#### **Automated Teller Machine (ATM):**

In addition to the Bank's own 198 ATMs, the Bank has joined National Payment Switch Bangladesh (NPSB) network during the year 2014, which enabled the Debit Cardholders of the Bank to enjoy cash withdrawal facility from other ATMs under NPSB Network. MTB has used the BACH and BEFTN mechanism for convenient payment activities which to a great extent supports the concept of green banking.



#### **SMS banking facilities:**

MTB also offers SMS Banking services to ensure instant access to customers' account information at any time. Any mobile phone user having account with MTB can get the service through their mobile phone upon subscribing. By using SMS banking our customers can avail the services like balance enquiry, mini statement, transaction alert etc.

#### **Capacity Building:**

MTB arranged green banking training programs regularly for its employees to create awareness about Green Banking aspects. In addition to that, officials of the Bank attended various training programs/workshop/seminars on Green Banking issues arranged by Bangladesh Bank Training Academy/BIBM and other institutions.

#### **MTB Green Building:**

To ensure a green and environment friendly bank in a true sense, MTB has designed its 02 corporate Head Office building named "MTB Centre" and "MTB Tower" as fully green buildings with motion sensor lighting system. Solar power system has been installed on the roof top of the buildings. Total building environment



is designed in such a way that it reduces energy consumption significantly. MTB Tower has also introduced the facilities of rain water harvesting and eco-friendly carpet, a carpet made of natural fiber like wool without using any chemical treatments. As part of green initiatives, MTB has established 09 Solar powered branches and 09 Solar powered ATMs which save energy consumption significantly compared to other conventional banking outlets.

#### **Energy & Water Management:**

The Bank advised the officials to adopt energy and water efficient practices. The officers have been advised to put emphasis to ensure efficient use of gas, fuel, electricity and water with a view to reduce carbon emission. Energy efficient equipments like energy saving bulbs, products with eco-friendly features are being used in the office.

#### **Paper Consumption Management:**

Use of scrap or one side used papers for note pad has become usual practice in the workplace. One side used papers are also used for printing draft copies of the office assignments. In addition to that, most of the interbank correspondence is done by email instead of letter. MTB has strong intra communication webpage named "MNet" through which MTB officials can easily communicate with each other.

#### **MTB Green Financing:**

MTB has a wide range of Green Financing products through which we able to finance various projects which are environment friendly. During 2015, the bank has extended green finance of BDT 665.61 million in the different green projects like Tunnel Kiln Brick manufacturing project, ETP, Solar Home System, OIL from tier etc.

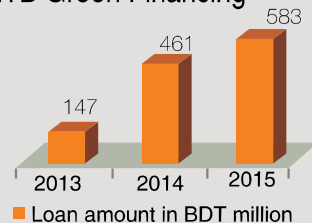


### MTB Forward Journey for Green Banking:

MTB is committed to build a sustainable business that brings benefit to the society, environment and the economy of Bangladesh. Some future planning regarding Green Banking are to increase green finance for installation of solar energy plant, bio-gas plant and other renewable energy plants, bio-fertilizer plants, Effluent Treatment Plant (ETP), Hybrid Hoffman Kiln, Tunnel Kiln projects for the production of brick etc. at lower interest and utmost care.

Alternative Delivery Channels like ATM, Debit/Credit Card, Internet Banking, SMS Banking etc. are ensuring modern banking facilities and MTB will introduce more creative services through Alternative Delivery Channels. MTB has installed solar panels in its 9 branches and 9 ATM booths and expecting to expand the volume in future. Training and workshop for Green Banking both for employees & customers to be continued in the coming days which will help to create more awareness about green banking.

MTB Green Financing



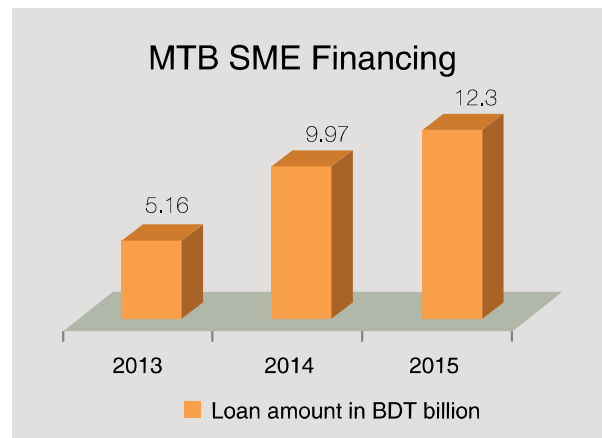
# MTB SME Banking Division

## Smart Financing Solution for CMSME

*"They say commercial banks bridge ordinary people with extraordinary opportunities. But in MTB, we believe that we connect extraordinary people with well-deserved opportunities. Entrepreneurs are extraordinary. They are amongst the few people who dare to dream. MTB SME Banking Division is a proud patron of these extraordinary people."*

SMEs, the heart of growth of economies worldwide, has already emerged as a powerful and sustainable pillar of the Bangladesh economy. In Bangladesh, this has spilled over from the traditional sectors to non-traditional manufacturing and service sector as well. Bangladesh Bank, the Central Bank of the country, is also relentlessly working towards the development of the sector to achieve higher GDP growth, financial inclusion and develop a resilient and dynamic financial system for the country.

MTB SME Banking commenced its journey in 2007. Since then, the bank has striven towards becoming one of the leading SME Banks in the country by making contributions to all types of SMEs, and regularly meeting Bangladesh Bank targets by steadily increasing its portfolio in a sustainable manner. MTB ensures a business enabling environment for the SMEs in Bangladesh by offering them affordable interest rates on credit facilities extended to them. The bank is a firm believer in job creation, which is why the concentration has been mostly in the manufacturing sector rather than the trading sector. Keeping rural development in mind, MTB has developed a strong footprint in financing Women Entrepreneurs, providing collateral free loans to SMEs and financing rural SMEs in Bangladesh.



In 2014, and within a period of seven years of being involved in SME financing activities, MTB won two prestigious awards given for the first time, jointly by Bangladesh Bank and the SME Foundation - SME Bank of the Year 2014 as well as Women Entrepreneur Friendly Bank of the Year 2014 at the SME Financing Fair-2014. This award was in recognition of the bank's outstanding contributions to the development of small and medium enterprises (SMEs) in Bangladesh. Nationally the lending flow to SME increased due to several initiatives taken by government and Bangladesh Bank.

### MTB SME Financial Highlights of 2015:

- SME Portfolio increased gradually and last year it was increased by 23.37% compared to 2014.
- Non Performing Loan of the division slightly increased to 4.06% in 2015 from 3.36 % in 2014.
- In 2015, total volume of SME loan disbursement was BDT 4,121 million.
- 1,779 No. of new SME account were introduced into the SME portfolio in 2015.
- Total SME deposit reached to BDT 501.52 million in 2015.

### MTB SME Financing for Women Entrepreneur:

Importance of women entrepreneurs in the national development process has been acknowledged by successive governments and steps initiated to realize these objectives. Consequently initiating different policies by central bank, Women Entrepreneurs have been gradually integrated into the macro-economic frame work which brings them into the mainstream of economic development of the country.

Aligned with our nation objectives MTB has taken a comprehensive plan for increased credit lines with special focus on potential women entrepreneurs. MTB Bhagyobati and MTB-Gunabati, the two innovative financial products for Women Entrepreneurs have strong presence in the country's credit market for their unique features

and easy access to financing. MTB is the only bank that offers single digit interest rate of 9% to the Women Entrepreneurs under a MoU signed with the SME Foundation. In 2015 MTB disbursed loan BDT 221.10 million to Women Entrepreneurs.

#### **MTB Initiatives for Development of Women Entrepreneur:**

##### **Formation of MTB Women Entrepreneur Development Unit (MTB WEDU):**

As per instruction of Bangladesh Bank MTB has established Women Entrepreneur Development Unit (WEDU) to help the women in business and bring them under credit access.

##### **Launching MTB Gunabati Campaign:**

MTB Gunabati is one the successful SME loan product designed exclusively for women entrepreneur engaged in manufacturing and service sectors. In 2015, SME Division launched a campaign named "MTB Gunabati @ 8.5%" and disbursed loan Tk.31.80 million to Women entrepreneurs during March to July 2015 with single digit interest rate.

##### **Participation in a number of matchmaking and networking events:**

- Banker customer matchmaking program held on April, 2015 in Jessore organized by SME Foundation (SMEF)
- Banker customer matchmaking program held on June, 2015 in Chittagong organized by Chittagong Women Chamber of Commerce & Industry (CWCCI)
- Banker customer matchmaking program held on June, 2015 in Dhaka organized by Association of Grassroots Women Entrepreneurs, Bangladesh (AGWEB) and SME Foundation (SMEF).
- In collaboration with SME Foundation has arranged a Women Entrepreneurs-Match Making Program on June, 2015 in Rangpur
- MTB SME Banking division actively participated in Bangladesh Bank Women Entrepreneurs-Bankers Meeting and Open Loan Disbursement Program on March in Cox's Bazaar in association with all banks and NBFIs of Cox's Bazaar area.

##### **Identification and Capacity Building of Potential Women Entrepreneur:**

Under guidance of Bangladesh Bank SME Special Programs Department to extend credit financial service in favor of Fresh Women Entrepreneurs in Cottage, Micro and Small sector, MTB has already identified around 300 Promising Women Entrepreneurs from 106 MTB Branches all over Bangladesh and it is in the process of initiating capacity building programs for the identified women entrepreneurs on areas like mobilization of capital and its management, opening of bank account and transaction method etc. in order to build their entrepreneurial capacity.

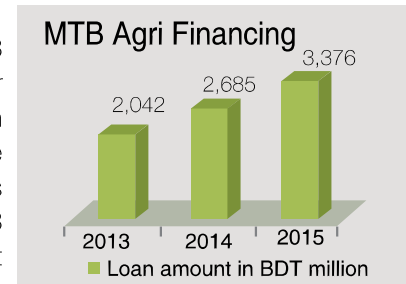
#### **Celebrating International Women's Day 2015 and Product Display of Women Entrepreneurs**



MTB WEDU celebrated International Women's Day 2015 for recognizing the women's contribution. In addition to other events main focus of the day was a day long SME fair at MTB Square where MTB Women Entrepreneurs displayed their different products items like leather products, toys, handicrafts, food items etc. Representative from Bangladesh Bank, SME Foundation, MTB MD & CEO and other MTB Senior Executives extended their presence at the event; ultimately it turns an event of networking and information sharing among the women entrepreneurs, Professionals, bankers and different association members.

### MTB Agri financing and Inclusive Banking:

MTB is continuing its contribution to agri finance at increasing rate. MTB achieved and extended its targets assigned by Bangladesh Bank for financing in the agri sector. It has a dedicated agri cell through which the bank provides financial support to the farmers at preferential rate assigned by Bangladesh Bank time to time. About 1200 farmers at Panchagar District were received agri finance directly from MTB Thakurgaon Branch. Also 14 solar irrigation pumps were installed in that area to support irrigation in the dry seasons. Due to limitation of the bank branches, it is not always possible to reach farmers of different remote area directly as such MTB extends agri support with MFIs linkage throughout the country. As recognition of agri support, MTB received appreciation letter from Bangladesh Bank for achieving agri loan disbursement target for the FY 2014-2015.



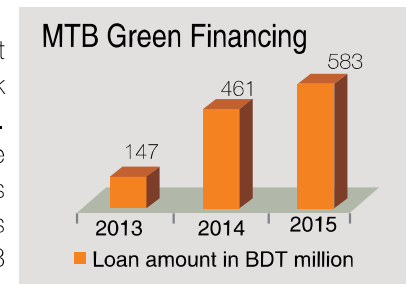
### Panjour Vanga Dugdho Somobay Samity: A Smart Finance to Periphery

Panjour Vanga area is located beside Tista river of Kaunia Upazilla in Rangpur. The Panjour Vanga Dugdho Somobay Samity is a group formed by 20 marginal rural women. The group obtained training and capacity development through Integrated Agricultural Productivity Project (IAPP) implemented by Government of Bangladesh and world bank. The project provides them support for forward and backward linkage. As a result they plan to enhance their production capacity by increasing number of cow. MTB provided group lending to the Samity for purchasing cows. This smart financing to the marginal people helps them to increase their daily income as well as livelihood which ultimately contribute to our national GDP.



### Green Financing through MTB Green Energy:

As a responsible corporate entity, MTB has a strong commitment towards developing sustainable energy finance in Bangladesh. The bank has developed a dedicated product called MTB Green Energy Loan. This loan is an environment friendly Green Credit product that enable the prospective customers to set up renewable energy projects such as solar, biogas, wind, and hydro and any other potential renewable plants and help reduce the carbon footprint in the country. Last year MTB disbursed Green Finance BDT 665.61 million to its customers.



### Smart Technology for Smart Solution of Environment Pollution:

Traditional brick fields are one of the sources of environment pollution. Government, International Agencies and Bangladesh Bank are working for introduction of new, environment friendly technology for manufacturing of bricks.

In line of government policy, last year MTB financed a state of the art automated and machine made brick producing project. At partial production capacity the factory is producing 9 million pieces brick per year. The lending from MTB will be utilized for achieving full production capacity.



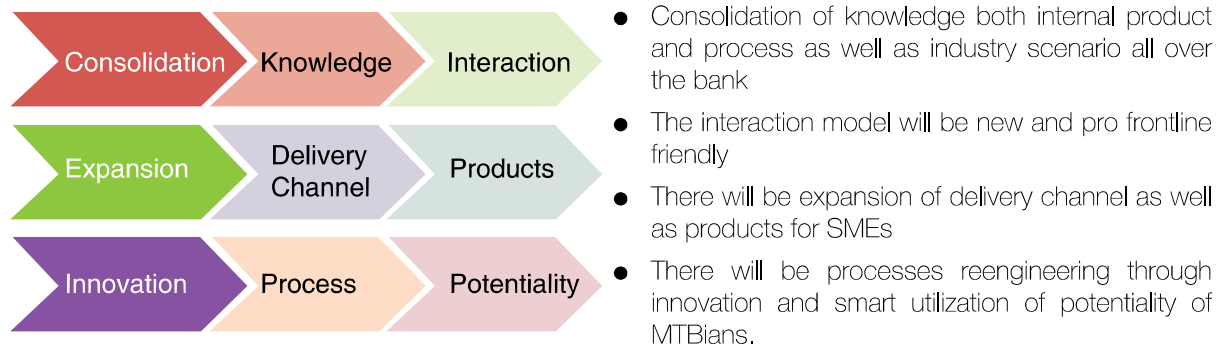
### Agreement Signing & Networking Events:

- MTB signed MoU with IamSMEofBangladesh on 29th July, 2015 where MTB offered SME focused Credit Facilities and Banking Services to the Members of IamSMEofBangladesh across Bangladesh.
- MTB and SME Foundation signed an agreement in February, 2015 under Foundation's credit wholesale

program and allocated BDT 50 Million for MTB to disburse among women entrepreneurs from manufacturing and service sectors.

### Forward Looking Strategy:

In 2016 MTB SME will focus on:



### MTB SME Products:

MTB SME Banking Division serves clients through a wide array of products .The products are designed to fulfill the different needs of the cottage, micro, small and medium enterprises as well as extend support to agriculture and inclusive banking.

Deposit Products	SME Generic Products	Sector Specific Products
<ul style="list-style-type: none"> <li>● MTB Probaho</li> <li>● MTB Buniad</li> </ul>	<ul style="list-style-type: none"> <li>● MTB Small Business Loan</li> <li>● MTB Revolving</li> <li>● MTB Digoon</li> <li>● MTB Mousumi</li> </ul>	<ul style="list-style-type: none"> <li>● MTB Krishi</li> <li>● MTB Krishijat</li> <li>● MTB Microfinance</li> <li>● MTB IT Genius</li> <li>● MTB Gunabati</li> <li>● MTB Bhagyabati</li> <li>● MTB Youth Line</li> <li>● MTB Light Engineering</li> <li>● MTB Green Energy</li> </ul>

# International Trade

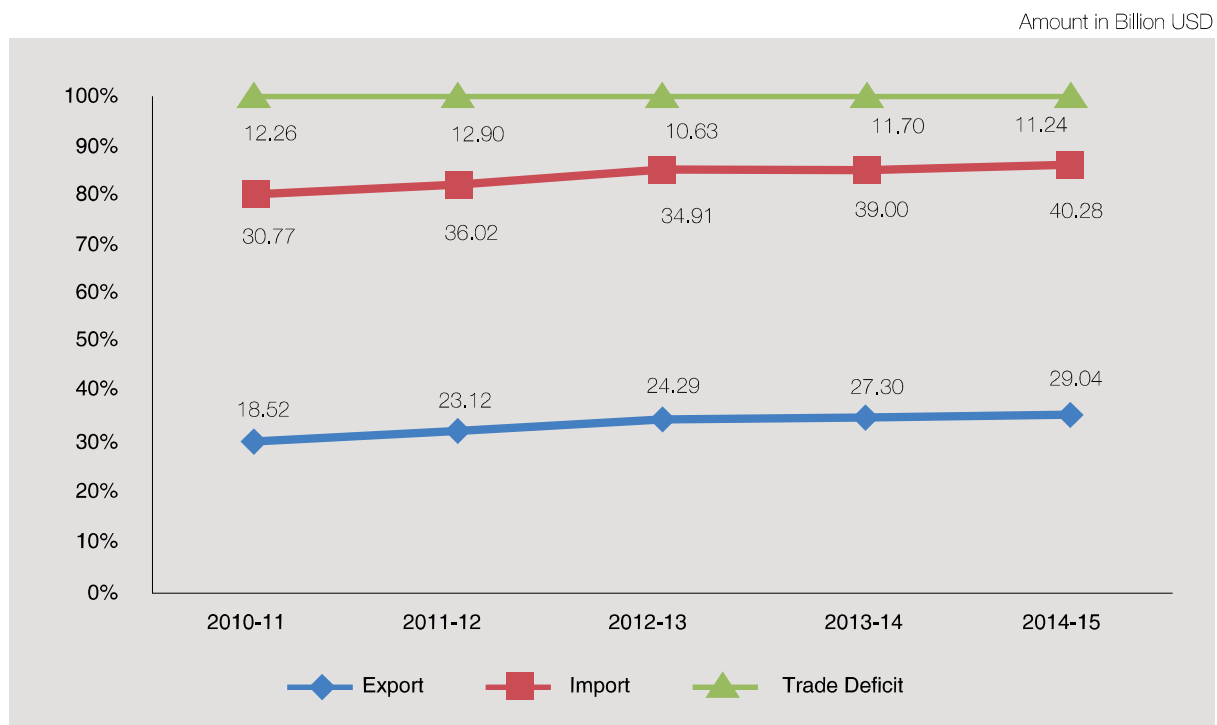
## Global Perspective

According to ICC Global Trade and Finance Survey 2014, global trade growth recently fell back to 4.1% from 13.9% in early 2010, which caused an aggregate deceleration since the financial crisis in 2008-9. This has subdued the trade growth over the last several years, fueled by weak overall demand in high-income countries. Developing countries have mitigated the decreased demand from the North by trading more with each other. South-South trade has accounted for over half of developing country exports since 2010.

In 2013, as per the survey, high-income countries began to emerge from years of sluggishness and recession to report stable growth, coupled with an uptick in import demand. These recovering trends present a marked shift from the previous several years, during which developing countries pulled the weight of the global economy largely on their own. As the US remains the world's largest importer, and, Europe persists as the most important trading partner for many developing countries, their recovery bodes well for the state of global trade moving forward. As per the ICC report, global trade is expected to gradually strengthen through 2016, when the projected annual growth rate will be 5.1%, up from 3.1% in 2013, when the survey was done.

## Bangladesh Perspective

Imports into Bangladesh has been significantly more than its exports over the last five years, resulting in a trade deficit over this period. The chart below illustrates the trend.



Source: Bangladesh Bank [Conversion rate USD: BDT 1.00:78.00]

Bangladesh mainly exports ready-made garments. Other products include: jute goods, home textiles, footwear, agricultural products and frozen food. Imports mostly consist of intermediate goods - petroleum and petroleum products, cotton and cotton yarn, chemicals, cement clinker, plastics & rubber, etc. Capital goods such as capital machinery and consumer goods like edible oil, sugar, food grains and others make up the rest of the import basket.

## MTB Perspective – Export

MTB gives emphasis on exports of traditional items like ready-made garments, jute, jute products, raw jute, leather, etc. In 2015, MTB's export business was BDT 46 billion (US\$ 0.59 billion) as opposed to BDT 36 billion



(USD 0.46 billion) in 2014, which reflected a strong growth rate of 27.78%. On the other hand, according to tradingeconomics.com, national export volumes grew by 4.70% from BDT 2,206.95 billion (USD 28.29 billion) in 2014 to BDT 2,310.76 billion (USD 29.63 billion) in 2015. Thus, the market share of MTB in export business was about 1.61% in 2013, which with a slight increase, rose to 1.99% in 2015.

### MTB Perspective – Import

The major import items were raw materials, textiles, chemicals, consumer products, capital machinery, medical equipment and food grains (vegetable oil, rice, sugar, etc.). MTB's import business grew by 24.02% from BDT 51.59 billion (USD 0.66 billion) in 2014 to BDT 63.98 billion (USD 0.82 billion) in 2015. As per tradingeconomics.com, the country imported goods valued at BDT 3,215.31 billion (USD 41.22 billion) during 2014 and BDT 3,026.76 billion (USD 38.80 billion) in 2015, reflecting a decrease of 5.87%. Consequently, the market share of MTB in import business was about 1.62% in 2014, which somewhat grew minimally to about 2.11% in the year 2015. The lower import volume is mainly due to drop in petroleum and commodity prices.

The economy was relatively stable over the year 2015, with much greater political stability (except for the first quarter) compared to the previous years. However, challenges persisted as banking regulations became more stringent, as is evidenced from the imposition of fines on the major global banks by US regulators, and its continuing effect throughout the year 2015. Consequently, major global banks have taken up a contractionary policy in terms of overall country and bank credit lines. In spite of living in this gloomy international trade environment in 2015, MTB, with its resilient attitude, has managed to remain on its growth trajectory and overcome the challenges strewn in its path. MTB was consistent in terms of growth in its trade business, growing higher than that of national trade in both export and import. This is also reflected in the gradual increase in market share of MTB in the total international trade volume of Bangladesh.

### Business Outlook 2016

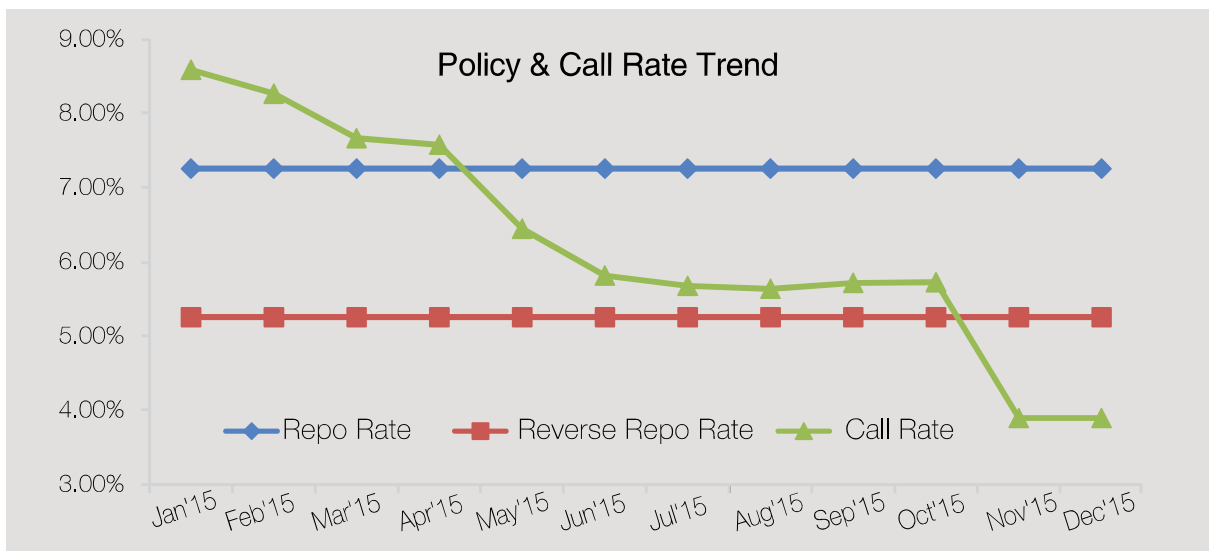
Global trade picked up to an annualized growth rate of 4% during the first quarter of 2014 from around 3% during 2013, and is anticipated to accelerate beyond 5% through 2015-16. Likewise, trade in Bangladesh is expected to make considerable growth, subject to sustained political stability in 2016. Despite the challenges, MTB has taken a diverse strategy to invest in capacity building, in order to serve greater markets across the nation, to expand into new horizons and continue to have consistent growth in the years to come. With that being said, market share of MTB in international trade business is expected to rise by 0.5%, both for imports and exports in the coming year.

# Treasury Operations

Treasury is involved in identifying and measuring the risks associated in the business and minimizing those risks accordingly by using various financial tools and products to stabilize the balance sheet and maximize profit for the bank through a regulatory framework. MTB has a dynamic and innovative treasury team adept in providing all possible treasury solutions through an array of treasury products in an efficient manner. MTB Treasury is involved in money market and foreign exchange business to comply with bank's regulatory requirement as well as to earn money in the course of effective utilization of balance sheet gap along with market risk management. MTB treasury has the following separate desks with a view to delivering complete package of treasury solutions to its customers:

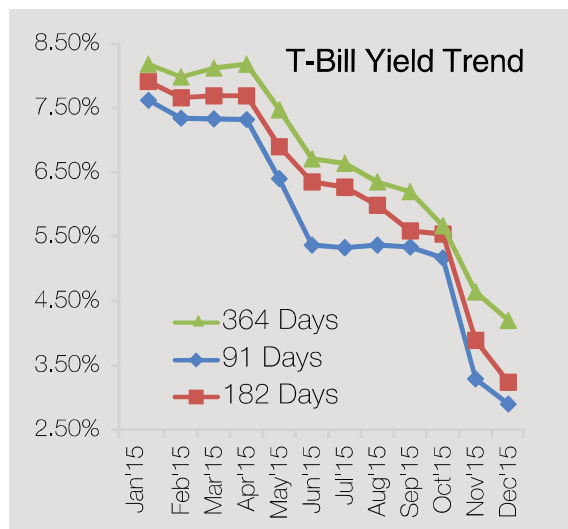
## Money Market

The money market situation in the year 2015 was relatively stable like the previous year. As the credit demand was low, excess liquidity built up in the banking sector. The result of which was stable and downward rate in the call money market. Call money rates ranged from approximately 8.50% to 5.50% up the month of October 2015. In the month of November 2015 overnight call money rate gone down sharply to below 4.00% level. Repo and Reverse Repo rates remained unchanged during the period.

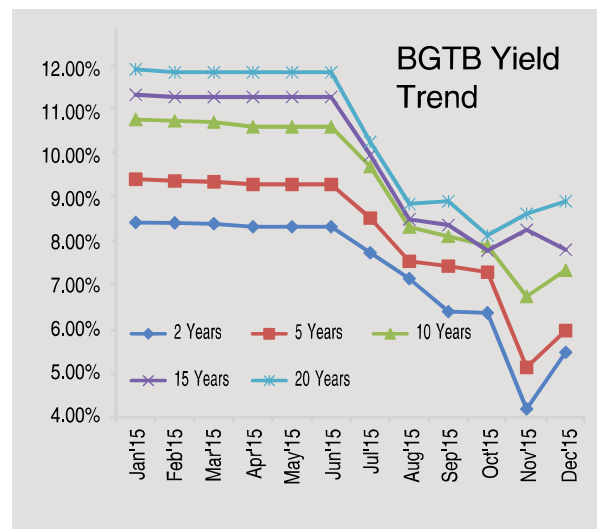


Data Source: Bangladesh Bank Website

MTB was able to analyze and utilize the market situation in an efficient manner. To minimize the liquidity and interest rate risk, MTB treasury put its highest efforts to manage the funds using in different avenues of market opportunities and continuously monitored the maturity profile of assets & liabilities and competently took decisions by observing the liquidity profile for increased profitability.



Data Source: Bangladesh Bank Website

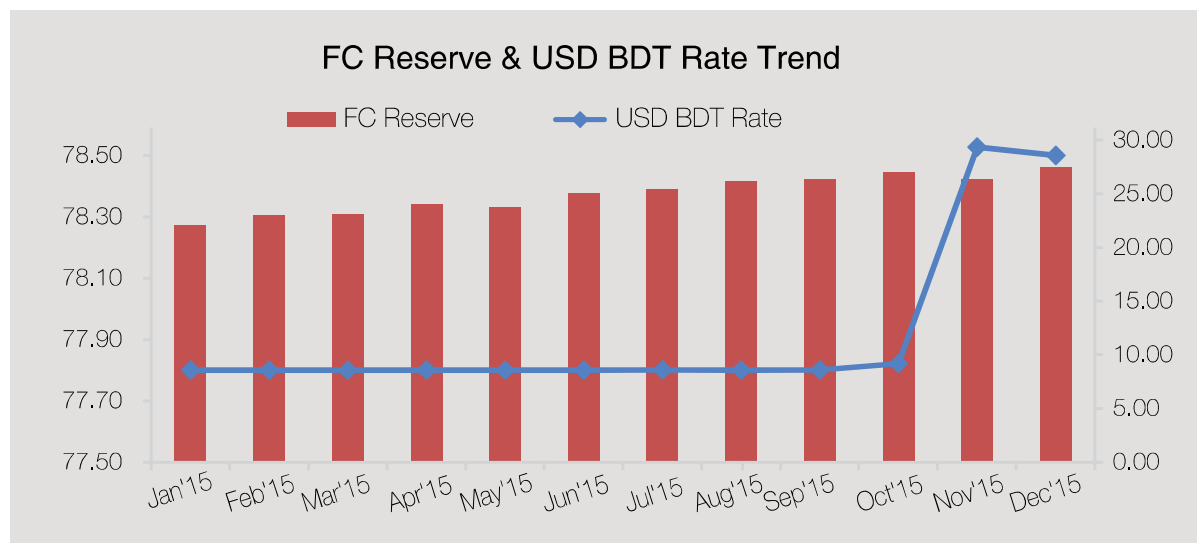


Data Source: Bangladesh Bank Website

Similar to inter-bank overnight call market rate trend, Yield on Government Securities were also in a falling trend throughout the year 2015. 91-Days Treasury bill rate was ranged from 7.62% to 2.90%, whereas 182-Days and 364-Days Treasury bill rates were ranged from 7.91% to 3.24% and 8.18% to 4.20% respectively. On the other hand, 2-Years, 5-Years, 10-Years, 15-Years and 20-Years BGTB rates were also down trend and ranged from 8.50% to 4.19%, 9.50% to 5.15%, 10.88% to 6.79%, 11.45% to 7.85% and 12.04% to 8.20% respectively.

### Foreign Exchange

Over the year, treasury maintained bank's net open position and FC liquidity in a prudent manner to manage exchange rate risk involved in commercial transactions of both on-shore and off-shore banking units. The year started with USD 22.30 billion reserve and at year end it was USD 27.06 billion.



Data Source: Bangladesh Bank Website

Over the year, Bangladesh Bank procured significant amount of USD from interbank to mop up excess FC fund liquidity. Then again, BDT appreciated from BDT 77.95/USD at opening of year to BDT 77.80/USD at the end of 3rd quarter. During the year 2015, with the increasing trend in FC loans, Treasury provided support to OBU of the bank. In the last quarter, higher trade deficit resulted the local currency to depreciate and ended up at BDT 78.50/USD at year end. As compared with previous year, treasury handled higher volume of wage earners' remittance, export proceeds and LC settlement against Taka in the year 2015. Moreover, MTB Treasury team acted in an efficient and timely manner to minimize the foreign exchange risk and earned substantial amount of exchange earnings for the bank.

### Primary Dealership activities and Government Securities

MTB is an active member of Primary Dealers Bangladesh Limited (PDBL). As a Primary Dealers of Government Securities, MTB participate all auctions as per the auction calendar given by Bangladesh Bank. The bank was very active in primary dealership activities and involved in both primary and secondary market activities throughout the year.

MTB Government Securities desk is also responsible for investment in government securities including treasury bills and bonds as well as Bangladesh Bank's bills that qualify for SLR. In spite of being a primary dealer, MTB was very active in the secondary market of government securities throughout the year in order to gain from trading which helped to bring dynamism in the development of vibrant bond market.

The bank was also involved in providing advisory services to the existing and potential customers. Due to the active participation in the market, the Treasury Department contributed a significant income for the bank through Primary Dealership activities & Government Securities Dealing.

### Asset Liability Management

Asset Liability Management (ALM) is considered as a key Balance Sheet Risk Management discipline, which mainly focuses on Liquidity Risk, Interest Rate Risk and Exchange Rate Risk of the Bank. As per Bangladesh

Bank guideline, MTB has a fully functional Asset Liability Committee (ALCO) for prudent Balance Sheet Risk Management.

MTB ALM desk, through its own market research and market intelligence presented the market outlook throughout the year to give an explicit idea about the market liquidity for availing market opportunities for investment and fund deployment in the market. ALM desk also presented the bank's overall financial position in front of the Asset Liability Management Committee (ALCO) to formulate an effective investment and fund management strategy for the bank.

To address the challenge of excessive liquidity and subsequent downward re-pricing of assets in trading and banking book, treasury being proactive in market, time to time to review its assets and liability pricing. During the year, all liquidity indicators were within regulatory limit.

### **Regulatory Compliance**

In 2015, Treasury operated within all regulatory limits and there was no single instance where Treasury violated any regulatory limit, which reflects MTB Treasury's commitment to operate within the rules and regulations of the Bank as well as other regulatory bodies.

## Non Resident Bangladeshi (NRB)

Remittances are often the first financial service that migrants and their families use. A secure and affordable flow of remittances is crucial to empowering working families and expanding financial access. For many people in developing countries like Bangladesh, remittances from overseas are a reliable and steady source of income that help them make ends meet.

Increase share of inward remittance by adding new services with existing exchange houses, establishment of relationships with new exchange houses, expansion of the domestic network for the beneficiaries through strategic alliances, development of new deposit and investment products for NRBs, and technological innovation in our day to day operation and reporting system are the main focus of the MTB NRB Division.

Convenience in operational process becomes an attractive proposition, which is why the MTB NRB Division always strives for innovation for simplifying all its operational activities as well as reporting systems. To excel in this new era of technological advancement, we have successfully introduced API (Application Program Interface) connectivity platform. Through this API Platform, we are now able to connect to any app or system of remittance companies, map & transform data in any format, design complex business processes and connect any system, securely, as an API service in minutes. Our 1st integration was established with Sigue Money Transfer Company, which is running successfully.

There is broad consensus that access to a transaction account can help people better manage their lives and plan for emergencies, the first step towards financial inclusion. To bring the NRBs and their families into financial inclusion, we have developed deposit products in accordance with their needs. We help NRBs to open deposit accounts through our own representatives and correspondents abroad. Through our relentless efforts and exemplary services to the NRBs, we have managed to open 20,000 accounts up to December'2015 and the deposit balance in these accounts now stand at BDT 1.4 billion.

The division has managed to establish a significant number of remittance drawing arrangements with MTOs (Exchange Houses). Currently, we have relationships with 30 exchange houses in different countries. MTB has a very strong presence in the Middle East, a fully owned subsidiary is running smoothly in the United Kingdom, and the world's top money transfer companies, like Western Union and MoneyGram are already MTB's remittance partners. We are now working on expanding the relationships to Saudi Arabia, Malaysia, Australia, Italy and other European countries. In 2015, we have procured inward foreign remittance of USD 149.19 million, which is 4.78% higher than the previous year.

There has never been more awareness about financial inclusion and engagement with the under-banked community like in the recent past. The use of mobile financial services is fast rising, as people are becoming increasingly comfortable with the banking platform. In association with renowned mobile money transfer companies, we are going to commence mobile remittance services within a short period.

To facilitate the NRBs and travelers passing through Hazrat Shahjalal International Airport (HSIA), the country's premier gateway, we have established two Foreign Currency Exchange Booths in the Arrivals and Departures lounges, respectively. These are the only Foreign Currency Exchange Booths which are running 24/7 from amongst the private commercial banks in Bangladesh.

# MTB Information Technology Services (ITS)

MTB, like previous years, in 2015 continued to improve its efficiency, effectiveness, and security of information technology (IT) services, various delivery channels and operations. The Bank has exploited the innovations and advancements in technology for achieving the business objectives and offers a wide variety of tech savvy products in tune with customer needs. Systems were supported and upgraded in various areas including those of operational business intelligence; bank-wide system; networks; infrastructure; and security. The Bank strengthened its practices and procedures in compliance with the Central Bank standards for IT Governance.

## **Implementation of Real Time Gross Settlement (RTGS)**

An RTGS system is defined as a gross settlement system in which both processing and final settlement of funds transfer instructions can take place continuously (i.e. in real time). As it is a gross settlement system, transfers are settled individually, that is, without netting debits against credits. As it is a real-time settlement system, the system affects final settlement, continuously, rather than, periodically, at pre-specified times, provided that a sending bank has sufficient covering balances or credit. MTB, already known as one of the most technologically advanced banks in the eyes of the regulatory bodies, successfully implemented the RTGS system which exchanges Payment messages between central bank's RTGS and MTB's CBS. To exchange RTGS messages with Bangladesh Bank, the management has decided to use the SWIFT backbone as the media of communication so that no payment - related information is lost in RTGS. The payment instruction, if provided in accordance with the standards, will always be forwarded in its entirety to the beneficiary. RTGS helps boost business to business (B2B) transactions, along with the other general transactions by enabling instant settlement of high value local currency transactions as well as government securities and foreign currency based transactions.

## **Development of Anti-Money Laundering (AML) Sanction Screening Software**

Under the Bangladesh Bank AML & CFT guideline, real-time screening of CBS CRM against UNSCR, OFAC and Domestic sanction lists became mandatory for the banks, especially for MTB, which was chosen as one of the 05 (five) leading banks by Bangladesh Bank to have demonstrated its systems before the visiting APG (Asia / Pacific Group) on Money Laundering in October 2015. The MTB ITS Division developed the CBS integrated software for screening the UN & OFAC Sanction Lists named "Sanction Screening Server (3S)". The software screens the CBS Customer Information against the sanction lists at opening.

The system facilitates search options for all the branches and users from the concerned divisions. The system also enables the search feature to compare other information with the sanction list. Users are able to view matching percentage of the names of the customer with the sanctions list. The software also provides case escalation procedure to forward screening results to higher authorities like BAMLCO or CAMLCO for refined screening and judgment.

## **Implementation of goAML**

MTB has developed a solution with its own resources, which is well known as 'goAML Middleware' to produce Cash Transaction Reports (CTRs) and Suspicious Transaction Reports (STRs) to Bangladesh Bank as per their guideline. goAML middleware is a web based application that can be accessed by the branches through a web browser. It generates XML files as required by Bangladesh Bank and uploads the data to the central bank.

## **Enhancements in Core Banking System (CBS)**

In response to the ever increasing demand from the business segments, the core banking system has gone through a number of changes and enhancements twice this year. Changes like adopting features for holding of transactions for exceeding TP (Transaction Profile) declarations and daily report on TP, Positive Pay Report and setting up of sanctioned interest rate at customer level are the salient changes among many others that took effect. The system also integrated with AML screening software to help branches screen the customers against the OFAC & UN Sanction Lists. CBS was also adapted to comply with Foreign Account Tax Compliance Act (FATCA) requirements.

## **New Core Banking Solution (CBS) project**

The bank is strongly considering the possibility of enhancing/ replacing its present core banking system with a robust core banking system. A committee is working on this project and has already prepared a draft Request for Proposal (RFP) and tender papers defining the scope of the project.



### Enhancement in the Corporate Intranet (MNet)

The internal web-portal for communication and information sharing was re-branded this year as 'MNet', and it has seen a number of enhancements in 2015. This home-grown system is used as a most convenient tool for knowledge management, communication across its various constituents for better sharing of information, user empowerment and system intelligence. E-learning, Branch Customer Call-Log, 24/7 ATM Booth Status Reporting System, Electronic Performance Management System are a few services that were added to the MNet in 2015.

### Introduction of IP Telephony System for Positive Pay

To ensure better and cost effective internal communication, an IP Telephony System was installed at MTB Tower. The employees of MTB Tower can easily communicate with their colleagues using the power of the internal network channels. This system has since been rolled out to more than 50 branches to ensure Positive Pay, as per regulatory requirements of Bangladesh Bank.

### Expansion and Relocation of ATM & POS by our Alternate Delivery Channel (ADC)

Since the inauguration of the first MTB 24/7 ATM in 2011, the bank now has 200+ ATMs spread across the country in 155 strategic locations, making MTB as one of the top ATM service providing banks in the country. Constant efforts are underway to expand the ATM network and broaden customer reach. The MTB ATM Installation Committee (MAM) regularly monitors the transactions carried out at all the ATMs, and analyzes customer behavior to decide whether the bank needs to install more ATMs, in a particular area, or relocate the underutilized ATMs elsewhere. With increase in the number of ATMs in busy locations, the bank became successful in persuading the card users to use MTB ATM. This shift was possible only due to the card holder's confidence in the bank's ATM services.

At present, approximately 98% of cash withdrawals by MTB card holders take place through the bank's own ATM network, while 2% is through the National Payment System Bangladesh (NPSB) and VISA network. Though the bank added new ATM booths in 2015, efforts were always on to identify those ATMs, at which the transaction volumes were low, and relocate them to busy areas. A study shows that MTB customers transact more than BDT 100 billion in cash withdrawals, each month, while making 45,000 balance inquiries or generating mini statements through the MTB ATM network. Last year, more than BDT 11 billion in cash was withdrawn through the MTB ATM network and the total number of such transactions was about 1.4 million.

The MTB Point of Sale (POS) network is also expanding at a fast clip. Presently, there are about 2,200 (up to 31st Dec, 2015) POS devices deployed across the country and contributing towards generation of a good amount of low-cost funds. Every month, the MTB Card Division is adding 20-30 POS devices to the network, which results in increase in transactions and deposit volumes.

### E-commerce service by our ADC

MTB has commenced offering E-commerce services to its internet banking account holders, which enables them to shop online, wherever they are - office or home, regardless of time and distance.

### DESCO, DPDC Bill Collection System by our ADC

MTB has completed the development of bill collection system for DESCO and DPDC to enable its customers and others to pay their bill through MTB internet banking and also over the counter.

### Implementation of Web Security Appliance (WSA)

In 2015, MTB has installed its own Firewall to protect any unauthorized access to the systems and enhanced the security at application layer. When security and web traffic control is a major concern nowadays, installation of security appliances, like WSA from CISCO with signature-based multiple anti-malware and virus defence system, along with reputation filtering and inline file scanning system is a step forward towards ensuring security against external threats by the bank. The Cisco IronPort Series is also capable of intelligent HTTPS decryption. Cisco WSA is one of the first secure web gateways to combine the growing challenges of securing and controlling web traffic. Flexible deployment options and integration with existing security infrastructure helps MTB to stand strongly against the quickly evolving security threats.

### Implementation of IronPort Email Security Appliance (ESA)

ITS Division has implemented Cisco IronPort Email Security Appliance that uses some of the industry's most advanced technological features to automatically stop spam, viruses, and other such threats. The all-in-one

ESA gives accurate, affordable, easy-to-use, purpose-built email security. This protects the bank from threats that are harmful for the organization and business.

### **Implementation of Network Monitoring Software (ManageEngine OpManager)**

Monitoring of networks and systems has become a very crucial issue nowadays, as divisions and functions rely on the internal network and systems to be more productive in their respective areas of work. Network failures and irregularities, server downtime, service or application crashes can seriously threaten the livelihood of a business, costing a lot in revenue and productivity.

Our ITS Team has successfully configured a network and server monitoring tool "ManageEngine OpManager - Network Monitoring Software" at MTB Centre to monitor all devices on the network and to take pro-active measure to prevent disaster as well as ensure seamless and efficient service to the business.

### **Disaster Recovery (DR) Testing for CBS and Card System:**

A Disaster Recovery Test (DR Test) is the process of examination of each step in a business recovery plan, as outlined in an organization's business continuity/ disaster recovery (BCP-DR) planning process. Disaster recovery testing helps ensure that an organization can really recover data, restore business critical applications and continue operations after an interruption of services has occurred. Disaster recovery tests are advised to be conducted at least once a year. Our ITS Division has prepared a DR Testing Plan to conduct the yearly DR Testing for the year 2015. According to the Plan, the CBS database instead of running from its Primary Data Centre at MTB Centre was run from the hot Disaster Recover Site (DRS) located at MTB Tower, while transactions took place from the MTB Tower for some selected branches and ATMs. The testing was successfully done, as planned, and reported accordingly

### **Physical Security strengthened at MTB Centre and MTB Tower**

Security measures were stepped up for the MTB Corporate Head Office, this year, through initiating of two security strengthening projects that involved the use of multiple layers of interdependent systems, which include CCTV surveillance, security guards, automated vehicle barriers, access control system and many other techniques. A fully operational Central Monitoring room was inaugurated at MTB Tower, as part of the project. Access Control System was made fully operational at both MTB Centre and MTB Tower. All MTBians are enrolled with the system and visitors need to register upon each visit to the premises. CCTV surveillance, automatic intrusion detection and burglar alarm system of most branches are now centrally connected with the Corporate Head Office. The connected branches are monitored, 24/7, and the remaining branches will be covered very shortly.

### **PCI-DSS Compliance**

The Payment Card Industry Data Security Standard (PCI DSS) is a widely accepted set of policies and procedures intended to optimize the security of credit, debit and cash card transactions and protect cardholders against misuse of their personal information. To achieve these standards, the bank has already appointed a firm to help complete the PCI DSS prerequisites. A project to meet the compliance needs is in full swing.

### **Foreign Account Tax Compliance Act (FATCA) Ctompliance**

According to the needs of FATCA compliance of the US Internal Revenue Service (IRS), MTB submitted its first such FATCA report, successfully, for 2015 using the bank's in-house development software. The necessary enhancements were made in the CBS to generate reports for IRS.

### **IT Appreciation Training**

In 2015, ITS & ADC officials were sent overseas to either participate in training programs or to attend conferences to help them get better acquainted with the latest advancements in the field of technology and product innovations. Apart from grooming up its own experts, computer related training courses were also held for the general users, on an ongoing basis, to enable them to handle the technology platform in a more efficient manner. "IT Security/Cyber Security/Cyber Threats" and "Information Technology Infrastructure Library (ITIL)" are a few such examples of modules included in the training courses and these have enabled the bank's internal users to become better aware of the risks in using digital technology and new technology initiatives being rolled out.

## Group Human Resources

### Racing Towards Smart Banking for Better Future

MTB Human Resources have impacted virtually every aspect of a customers' banking experience, but, perhaps, nowhere has change been experienced so unpredictably. Online banking and the mobile apps revolution have made many elements of the normal banking experience, such as waiting in a queue for a cashier available to serve her/him, talking to a branch manager for a loan application, etc. positively appealing again. In fact, with the help of qualified and talented employees of MTB, customers are carrying out some elements of self-service banking including viewing account balances, tracking deposits and paying bills as per their requirement.

In order to retain existing customers and attract tech-savvy new ones, today's MTBians are becoming more customer-centric, technologically advanced and more streamlined. The MTB people offer a rich, interactive and multichannel experience that is relevant to the prevailing times and responsive to customer needs.

MTB Human Resources will continue to evolve in the smart banking environment in the exciting days ahead. This means increased operational efficiency, timely delivery of targeted information and enhanced customer engagement.

### Motivating People

HR supports and upholds MTB's goals by fostering a positive and engaging work environment, while identifying and responding to the changing needs of our diversified banking industry. MTB aims to motivate its people by offering a competitive compensation package and benefits. The bank fosters a performance-driven culture, in which employees are promoted based on their achievements and attitude, which then serves as an example for others to follow.

### Congenial Work Environment

MTB Group Human Resources (GHR) provides services and support to its staff, in ways that embrace the organization's mission of innovation and tradition of excellence. Committed to cultivating a superior service-oriented culture, the MTB Management seeks to provide benefits to employees to ensure sound work/life balance. Through employee orientation and professional development, MTB fosters the values of inclusiveness, camaraderie, long-term employee engagement and life-long learning. In all areas of work, MTB GHR firmly upholds the tenets of confidentiality, accountability and trust.

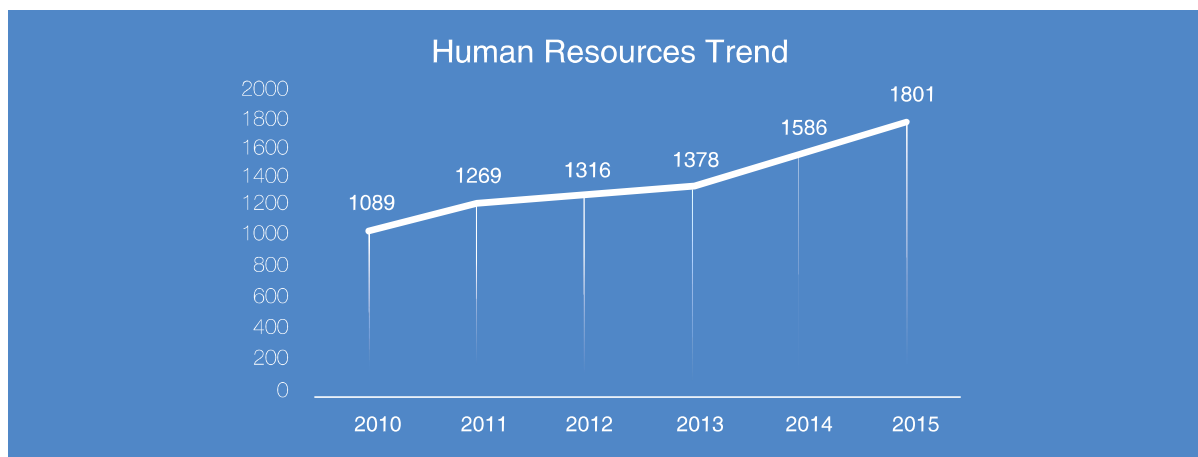
MTB cultivates a work atmosphere, which is beyond the boundaries of race, religion, lineage, gender or any other grouping. As per HR policy and practice, 'Zero Tolerance' is shown to any form of discrimination in the work-place. The existing policies and procedures to deal with staff indiscipline, or misconduct, are dealt with by appropriate committees made up of senior executives. MTB has an Anti-Harassment and Abuse policy and grievance handling systems.

### Flawless Employee Communication

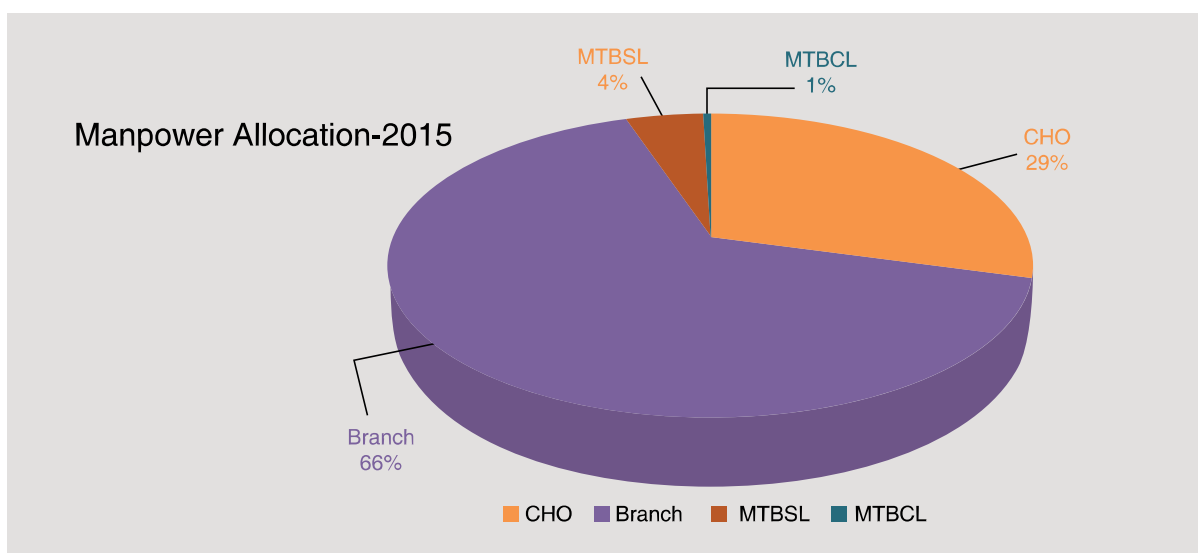
MTB facilitates internal communication amongst the MTBians through providing its own internal networking system named "MNet". This helps MTBians exchange mails or any other important documents with each other instantly. Besides, employee information, details of training courses, circulars, upcoming events, recognition programs are cascaded through this state-of-the-art unique system.

### Racing Towards Attracting and Retaining Most Qualified and Talented People

MTB views human resources as fundamental to the success of its business. They are the lifeline to delivering excellent customer care and high quality products and services, and, without them, the bank cannot run smoothly. MTB is a melting-pot of people from a diverse mix of backgrounds, cultures and gender. The bank's quest is to upgrade its human resources pool with talented, dynamic, proactive and committed people who possess the drive to excel and help MTB achieve its vision and mission.



This workforce trend indicates MTB attracts more talent to meet its strategic objective and growth



Learning & Development	2011	2012	2013	2014	2015
MTBTI Training	40	52	70	74	131
Local Outsourced Training	160	33	66	70	80
Foreign Training	6	5	3	13	18
No. of Participations	858	1,187	1,130	1,467	1,530

#### Management Development Program: A Process to Excell One's Management Skill

The development of all employees within MTB is a key strand of the training and development strategy. The leadership development program is designed to equip all senior and middle range managers with the necessary skills and behaviours to lead MTB to meet business challenges. All managers are to participate in the program and actively pursue their own development plans with the support of their Line Manager, Group HR and MTB Training Institute.

#### Conducting Research Study: Relating to the Human Behavior

MTB Group HR facilitates the study and research on human behaviors/attitude/cultures/motivations/satisfactions. Based on the recommendations, suggestions and feedback of the study, MTB takes into consideration the recommendations and/or feedback and implements them for the betterment of the organization.

#### Sense of Responsibilities: Surpassing the Corporate Laws & Norms

Group Human Resources has its own policies regarding all types of employees' benefits. These are MTB Employees Health Protection Plan, Death Benefit Plan etc. MTB always extends its helping hands to the distracted family members of MTBIans in order to lessen their financial constraints.

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### Compensation and Benefits: The sources to depend on

MTB GHR has its own Compensation & Benefits policies for its employees. MTB has in place the following for the convenience of the MTBians:

- Employee House Building Loan
- Employee Car Loan
- Medical Assistance Fund
- Employee Provident Fund
- Gratuity Scheme
- Reward to Employees' Meritorious Children
- Day-Care facilities to Employee Children

### Racing for the Management and Leadership Development for Better Future

The management and leadership development process is continuous, linking an individual's development to the needs of the job and the organization. Management development programs give the opportunity to develop a broad base of skills and knowledge that can be applied to many jobs. The overarching goal is a comprehensive initiative for managers, and supervisors, to develop the necessary core competencies to become excellent leaders. Expanding management core competencies will enable managers to keep pace with the demands of a changing organization. With this view, MTB sends its employees to foreign training and development programs. This will definitely help in skills transfer as follows:

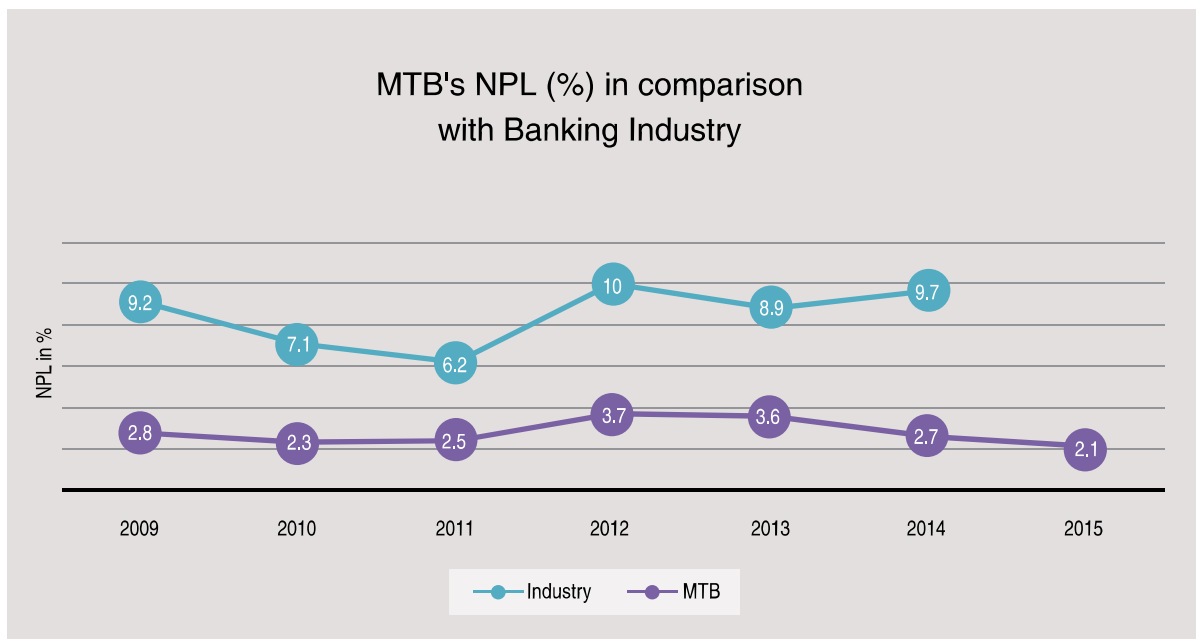
- Encourage growth and career development of employees as stated in the philosophy of Human Resources Management
- Improve skills and knowledge that can be immediately applied at work
- Increase motivation and job satisfaction
- Create a network of colleagues for problem-solving and support

# Robust Risk Management System

The objective of risk management is to identify and analyze risks and managing their consequences by a dynamic interaction among the Board, senior management and the officials engaged in risk taking and risk managing activities. MTB's risk management philosophy is to identify measure, monitor and control as well as manage various risks that are related to its business, and to optimize risk-return trade-off. MTB faces varied and wide range of risks in its day to day business operations, side by side it handles risks judiciously to ensure optimum return on asset and equity. Managing risk prudently and efficiently to ensure profitability, capital adequacy and liquidity in a balanced manner is the main concern of the bank. Risk management strategies proactively identify measure, mitigate and monitor risks which arise at transaction level as well as at portfolio level to ensure optimum utilization of capital. Functionally, risk management process is accomplished at strategic level, managerial level and at operational level.

At strategic level, MTB Board of Directors (BOD), through Board Risk Management Committee (BRMC) & senior management, sets up risk governance structure & risk philosophy, endorses risk strategies, reviews & approves risk policies as well as the threshold limits of risks that maybe taken in line with bank's risk appetite. These limits are continuously monitored by an experienced risk management team and overseen by BRMC. At managerial level, policies and strategies formulated by BOD are implemented by middle management or units devoted to risk reviews. Operational level encompasses on-the-line risk management, where risks are actually created at front office or at credit desk of the bank.

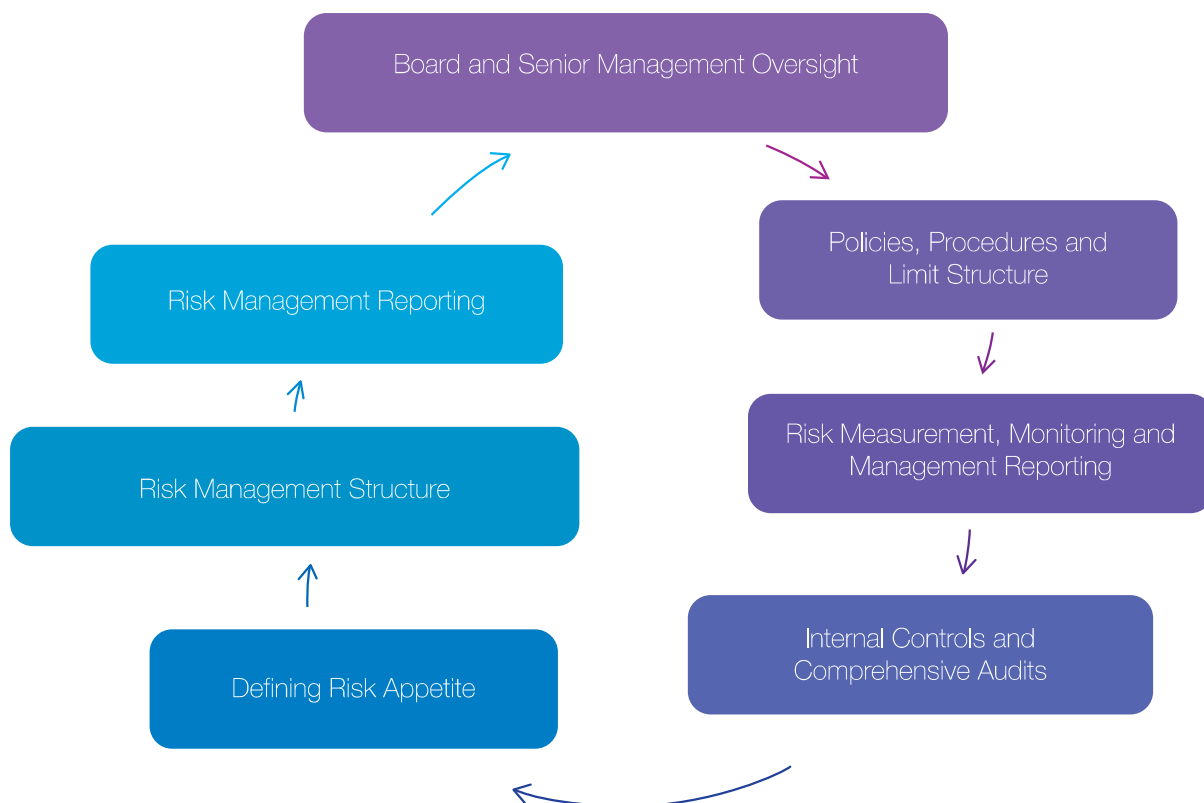
Over the years, MTB has been maintaining a lower Non Performing Loans (NPL) than that of industry (Financial Stability Report of Bangladesh Bank, 2014) which reflects the effectiveness of MTB's risk management system and endeavors. In managing NPLs, MTB complies with the regulatory guidelines of Bangladesh Bank (BB).





## Risk Governance

### Risk governance structure of MTB:



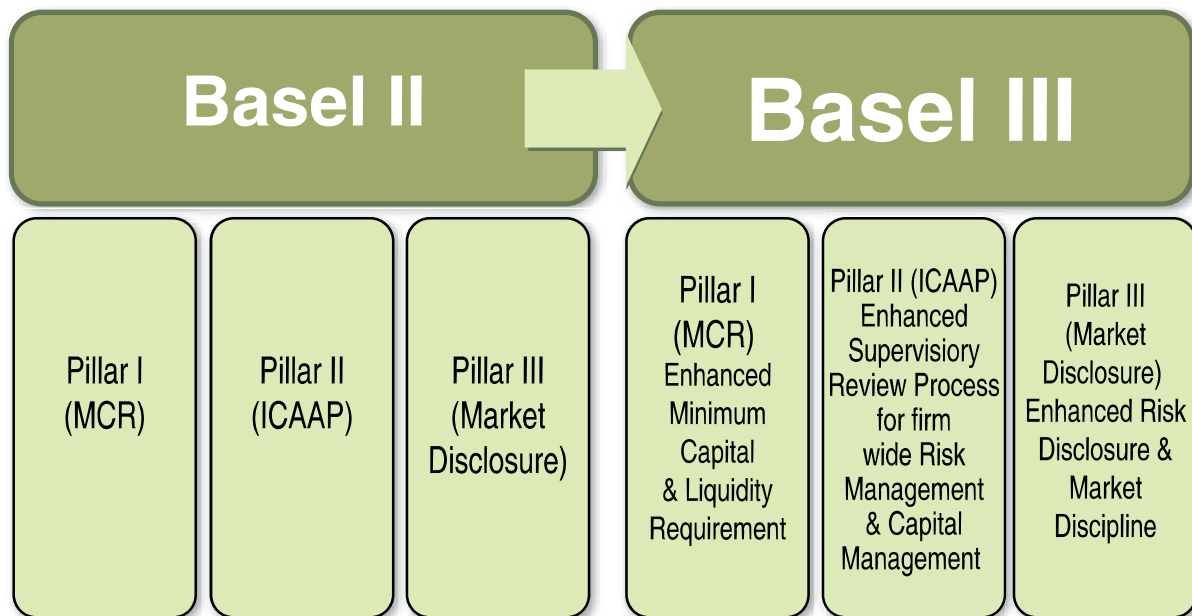
### Risk Management Policies:

Board approved Risk Management Policies viz. (i) Credit Policy with Credit Risk Management Guidelines (ii) Asset Liability Management Manual (iii) MTB ICC Policy (iv) AML & CFT Policy guideline of MTB (v) Foreign exchange Risk Management Policy & Guideline (vi) Mutual Trust Bank ICT Policy (vii) Wholesale Borrowing and Funding Guidelines (viii) Liquidity Contingency Plan (ix) Management Action Trigger (x) Fraud Detection and Management Process (xi) Valuation Methodology of Collateral (xii) Internal Capital Adequacy Assessment Process (ICAAP).

### MTB Risk Management practice as per Basel norms:

As a Basel compliant bank, MTB follows international best practices in risk management as per Basel norms, which makes its capital more risk sensitive and risk resilient. Basel Committee on Banking Supervision has transitional arrangements to implement the Basel III standards to ensure that the banking sector can meet the higher capital standards through reasonable earnings retention and capital raising, while still supporting lending to the economy. In line with the Basel framework, Bangladesh Bank has issued transitional arrangements for Basel III implementation in Bangladesh. The phase-in arrangements for Basel III implementation in Bangladesh introduced by Bangladesh Bank will be followed by MTB. MTB is in the process to implement Basel III fully from the beginning of 2015. MTB's capital structure is governed by the 'Guidelines on Risk Based Capital Adequacy (RBCA) for Banks' issued by Bangladesh Bank (BB). RBCA guidelines encompass risk management framework of the bank by Pillar-I (Minimum Capital Requirement, MCR), Pillar-II (Supervisory Review Process, SRP) and by Pillar-III (Market disclosures).

In compliance with the Pillar-I guidelines under Basel norms, MTB computes regulatory capital for Credit Risk, Market Risk and Operational Risk. Bank has adopted Standardized Approach under credit risk, Basic Indicator Approach under operational risk and Standardized Approach under market risk to compute regulatory capital. External credit ratings from External Credit Assessment Institutions (ECAIs) are used for risk weighting of corporate and SME exposures as required under Basel II.



To comply with Basel Pillar-II norms (SRP), MTB has evolved Board approved policy on the Internal Capital Adequacy Assessment Process (ICAAP) which covers identification and measurement of risks other than Pillar-I risks (Credit Risk, Market Risk and Operational Risk). SRP is intended not only to ensure that banks have adequate capital to support all the risks viz. residual risk, liquidity risk, credit concentration risk, reputation risk, strategic risk, settlement risk, evaluation of six core risks areas, environmental risk and other material risks in their business, but also to assist banks to develop and to use better risk management techniques in monitoring and managing those risks.

Under SRP, MTB computes additional capital which is finally determined by SRP and SREP (Supervisory Review Evaluation Process) dialogue. To meet Pillar III requirements of Basel III, MTB has adhered to disclosure norms as stipulated in the guidelines of BB. The disclosures for every year are available in Bank's annual report and website.

MTB adopts Stress Testing technique to measure its vulnerability to the impacts of exceptional but plausible events. Stress testing are carried out by assuming three levels of shocks viz. minor, moderate and major on following areas:

- Interest rate changes
- Forced value of collateral
- Non-performing loans (NPLs)
- Share prices
- Foreign exchange rate
- Changes in credit rating and
- Liquidity.

MTB prepares Risk Management Paper (RMP) monthly and submits it to BB on quarterly basis, which aims to identify, monitor and manage various risks following the guidelines of BB. RMP focuses on credit, market, liquidity and operational risks that the bank is exposed to.

#### **MTB Risk Management Practice as per Six Core Risk Areas:**

MTB conducts its operations by ensuring compliance with the Core Risk Management Guidelines which covers the following risks:

- Credit risk
- Asset Liability risk
- Foreign exchange risk
- Internal Control and Compliance risk
- Money laundering risk
- Information and Communication Technology risk

## Credit Risk Management

The instruments and tools, through which MTB manages credit risks, are as follows:

- Exposure ceilings
- Review/renewal
- Risk rating model
- Risk based scientific pricing
- Portfolio management
- Credit audit/Loan review mechanism

## Credit Policies and Principles

MTB's credit functions are conducted in a compliant manner under strict, judicious and rational credit policies and principles in conformity with Credit Risk Management (CRM) guidelines of Bangladesh Bank. Credit initiation and approvals are done in a segregated manner. Each and every sanction is done through a very stringent evaluation process, which, in fine, ensures quality of assets and minimizes losses likely to arise from potential bad loans. In order to make credit operations judicious, quality and rewarding, a strict credit policy embodying among others, the following is in place:

- Extending credit to the clients having clean CIB report.
- Maintaining rational loan deposit ratio
- Avoiding directed and name lending
- Lending maintaining highest ethical standards
- Extending credit in the areas where risks are significantly understood and can be managed
- Conducting lending operations complying with norms and regulations

## Credit Administration

MTB's credit disbursement and administration functions are strictly handled by the Credit Administration Department (CAD) which ensures among others that:

- Documented credit approvals are obtained
- Legally enforceable security documents are prepared
- Limit creation and loan documentation check list (LDCL) are obtained
- All standard charge documents are executed.
- Loan classification and provisioning are done as per norms.
- Credit disbursement approvals are promptly given

## Credit Monitoring

MTB Credit Monitoring Department (CMD) monitors the asset (loan) portfolio of the Bank. MTB's credit monitoring system provides an early indication/ alert about the deterioration of loans that allows effective management of loans in a rational manner to prevent them from tuning into Non-Performing Loans (NPL). Statements on early alert accounts, delinquent and specially mentioned accounts are generated timely and necessary actions are taken by the CMD. MTB's credit monitoring tools are effective enough to keep the overdue and SMA loans well below the industry average.

## Non-performing Loan (NPL) Management

Despite all out efforts by the CMD, if any loan becomes classified, Special Asset Management Division (SAMD) jumps into action. SAMD operates independently to prepare and implement overall action plan and recovery strategies. The division works in coordination with the branches, concerned CHO divisions, Legal Department and conducts door to door recovery drives for NPLs. The tools and strategies for NPL management as applied by SAMD are designed in a manner to keep the NPL much below the critical level as per recognized/ institutional standard.

## Asset - Liability Risk Management

Asset Liability Management (ALM) is considered as a key Balance Sheet Risk Management discipline, which mainly focuses on Liquidity Risk, Interest Rate Risk and Exchange Rate Risk of the Bank. As per Bangladesh Bank guideline, MTB has a fully functional Asset Liability Committee (ALCO) for prudent Balance Sheet Risk

Management. The committee consists of the Managing Director & CEO as the Chairman of the committee and all the Deputy Managing Directors and strategically important Divisional Heads of Corporate Head Office as members. To address and mitigate various risks involved in the business, ALM desk of the MTB Treasury prepares ALCO (Asset Liability Committee) paper as per the guidelines of Bangladesh Bank in each month and conducts monthly ALM meeting where global & economic outlooks as well as financial fundamentals of the Bank are highlighted.

### **Foreign Exchange Risk Management**

Foreign Exchange Risk is related to the fluctuation in earnings due to change in market prices. As per the Foreign Exchange risk management guidelines of Bangladesh Bank, MTB has Board approved different risk limits for Foreign Exchange dealing operations and generally, all the deals are done meticulously within Board approved limits. MTB has a well defined internal approval, and reporting procedures to report on Foreign Exchange business activities on a regular basis to the senior management. Moreover, Bangladesh Bank has given Net Open Position (NOP) limit based on MTB's total capital and some other qualitative judgments. In order to minimize Foreign Exchange risk and to fulfill regulatory requirements MTB maintains NOP limit very meticulously.

### **Internal Control and Compliance Risk Management**

MTB has a structured Internal Control and Compliance (ICC) Division with the following three distinct units headed by a senior level executive:

- Audit and Inspection
- Compliance
- Monitoring

The mission of MTB's compliance function is to promote the culture and practice of compliance of legal and regulatory requirements, and the Bank's ethical standards. Internal Control & Compliance Division reports on non-compliance detected by internal and external audits to the Audit Committee of the Board for appropriate and necessary action.

### **Money Laundering Risk Management**

Money laundering and terrorist financing are global phenomenon, apparent in almost every part of the world. Emerging sophisticated techniques of moving illicit money are compelling the financial intermediaries to make their compliance program more vigorous. MTB, as a compliant bank, is firmly determined not to let such money launderers and terrorists or perpetrators to use it as a channel to launder money or finance terrorism in any possible way.

Hence, MTB has its own Anti Money Laundering (AML) & Combating Financing of Terrorism (CFT) compliance program. It has been designed considering the size and range of activities, complexity of operations, the nature and degree of Money Laundering & Terrorist Financing risks faced by the bank. Certainly, it is designed as per the prevailing laws (i.e. Money Laundering Prevention Act, 2012 (Amendment 2015), The Anti-Terrorism Act, 2009 (Amended- 2012 & 2013), rules (i.e. Money Laundering Prevention Rules 2013, Anti Terrorism Rules 2013), BFIU guidelines (i.e. Money Laundering and Terrorist Financing Risk Management Guidelines), circulars & instruction and international standards. MTB applies risk sensitive Customer Due Diligence (CDD) measures, monitors business relationships and records suspicious transactions pursuant to the national regulations and international standards. Some of the initiatives undertaken in the year 2015 as a part of its rigorous AML & CFT compliance program are as follows:

- a. MTB has revised its policy guideline in line with the Money Laundering & Terrorist Financing Risk Management Guidelines, prevailing laws of the land and BFIU circulars and instructions;
- b. Every year, the Managing Director & CEO of the bank issues statement of commitment in writing to all employees that clearly set forth MTB's policy against Money Laundering, Terrorist Financing & Proliferation Financing. In the year 2015, the Managing Director & CEO has made two statements, one entailing strategy, action plan, compliance & consequence of non-compliance, and the other with special focus to be more aware and highly vigilant, so that terrorists or perpetrators fail to use the bank as a channel to finance terrorism or weapons of mass destruction;
- c. MTB Anti Money Laundering Department has been reformed as 'Central Compliance Unit '(CCU) under the direct supervision of the Managing Director & CEO which consists of 8 (eight) personnel having expertise in the field of general banking and information technology;

- d. MTB has developed a customer acceptance policy approved by the Board which incorporates the detail customer due diligence procedure entailing policy for acceptance/ rejection of customer, procedures to open and operate different types of account;
- e. MTB has developed its own ML & TF Risk Assessment Guideline entailing the ML & TF Risk Register in line with the BFIU guideline;
- f. The CCU has conducted inspection on AML & CFT compliance status of 47 (forty seven) MTB branches;
- g. MTB has further accelerated its monitoring endeavors with system based monitoring tools available at branch and CCU;
- h. MTB has devised an automated sanction screening tool to perform screening against UNSCR, OFAC and domestic sanction list before establishing relationship and offering service to the customer. MTB is also availing the Online Compliance facility of the Compliance Screening Solutions of ACCUITY for thorough screening against extensive sanction lists;
- i. MTB has submitted 17 (seventeen) Suspicious Transaction Report (STR) and Suspicious Activity Report (SAR) to BFIU during the year 2015;
- j. As a part of Know Your Employee (KYE) program, MTB performs reference check and background check in the process of employee screening;
- k. Like every year, MTB has arranged Branch Anti Money Laundering Compliance Officer (BAMLCO) Conference in 2015 for all MTB BAMLCOs to guide them through the compliance strategy and action plans therein;
- l. MTB conducts day long AML & CFT workshops to train all staff member of the bank irrespective of their functional area. This year it arranged 12 (twelve) workshops on AML & CFT compliance with the support of Group Human Resource, and state-of-the-art MTB training institute wherein total 950 MTBians availed the opportunity to enrich their knowledge on AML & CFT measures & compliance at their respective jurisdictions;
- m. MTB has extended its initiative to educate the mass people by displaying awareness banner on conspicuous place of the branch and aware its clients by distributing awareness leaflets.

#### **Information and Communication Technology (ICT) Risk Management**

Against the backdrop of an increased reliance on complex IT systems and operations in the financial sector, there is heightened risk of cyber attacks and system disruptions as well. In this regard MTB has continued to deepen their technology risk management capabilities and is ready to handle IT security incidents and system failures.

An integral part of MTB's risk management endeavor is its strong "IT Security Policy" and its adherence to these principles. These policies define responsibilities and requirements for protecting information and information systems. They also define hardware, network, and related communication technologies and their use in providing financial services.

As a part of effective risk management, a state of the art Data Centre has been established at its own premise at MTB Tower, while the previous DR Centre at Dilkusha has been shifted to the aforesaid location. This Data Centre is equipped with sophisticated data replication technology to protect loss of customer sensitive information and their transaction in case of failure of primary Data Centre due to any disaster.

Apart from strengthening ICT infrastructure platform, the bank also focused on identifying its security risks by conducting penetration and vulnerability tests on its existing services.

The core firewall of the bank is in the process of being replaced by the state of the art latest firewall to screen and to nip the external threats in the bud from entering the bank's core network channels. This will also restrict the internal users from visiting the suspicious and harmful websites and the incoming emails for spam and scam links.





# MTB Securities Limited (MTBSL)



MR. RASHED A. CHOWDHURY  
Chairman



MR. ANIS A. KHAN  
Vice Chairman



MR. ANWARUL AMIN  
Independent Director



MR. HEDAYETULLAH  
Director



MR. QUAMRUL ISLAM CHOWDHURY  
Director



MR. MD. HASHEM CHOWDHURY  
Director



MR. MD. ZAKIR HUSSAIN  
Director



MR. NAZRUL ISLAM MAZUMDER  
CEO

# MTB Securities Limited (MTBSL)

MTB Securities Limited (MTBSL) is one of the leading stock brokerage service providers of Bangladesh, offering full-fledged international standard brokerage service for individual, institutional and foreign clients. The company is a wholly owned subsidiary of Mutual Trust Bank Limited, one of the leading private commercial banks of the country. With its 16 offices spread throughout the country in strategic business locations, the company aims to be the country leader in providing brokerage service.

A TREC (Trading Right Entitlement Certificate) holder of Dhaka Stock Exchange (DSE), MTBSL is dedicated to providing the highest level of professional and personalized services to its domestic and international customers. It has a proven reputation in serving customers by maintaining stringent compliance practices and strong ethical standards.

MTBSL has been consistently among the most active members of Dhaka Stock Exchange for the last couple of years. The success is underpinned by its strong business network and superior service quality offered to the clients. Furthermore, over the years, the company has earned much recognition from local financial institutions, corporate bodies as well as from other brokers for professionalism in its trade execution capability and settlement procedures. The diverse and loyal client base of the company is the result of its commitment toward building long lasting relationship with its clients based on mutual trust and respect.

## Services Provided by MTBSL

### ■ Stock Brokerage Services

As we continue our journey to remain as one the most admired brokerages in the country, recognized as a dynamic, innovative and client focused company, our team of professionals strives enthusiastically to provide only the best services to our clients. Trading floors attended by cordial and experienced team members with the mentality to serve the clients to their satisfaction, separate trading booths for female investors, VIP trading arrangements and online trading platform are a few of the features that make us the preferred choice of our valued clients.

### Foreign and Institutional Trading

Our recognition as the provider of unparalleled service to foreign and institutional investors lies in our practice of continuously challenging ourselves to exceed standards set only by us. We have in place all the right ingredients for achieving excellence in foreign and institutional trading service that requires a combination of superior customer service, efficient trade execution and robust technology platform. Non-Resident Bangladeshis (NRB) can also invest in our capital market from anywhere in the world.

### ■ Margin Loan Facility

MTBSL provides margin loan as per Margin Rules 1999 to facilitate leverage to its investors. We keep the securities purchased through the margin loan in individual BO accounts of the clients and appropriate charge documents are created on the BO accounts to cover the loan.

### ■ Services as Depository Participant

As a full service depository participant, MTBSL offers the following depository services:

- BO (Beneficiary Owner) accounts opening and maintenance
- Dematerialization and re-materialization
- Pledging and un-pledging
- Transfer and transmission of securities

## Technology Platform

Our technology platform is built on state-of-the-art equipment with adequate redundancy to ensure uninterrupted trading services to the customers. We are also connected to Bloomberg for order management.

## **Risk Management**

As a subsidiary of Mutual Trust Bank Limited, MTBSL is under regular inspection by the Internal Control and Compliance (ICC) Division of the bank which constantly monitors for possible operational risks and recommends remedies. Moreover, MTBSL has a separate risk management unit for trade execution and margin loan management. There is a customized Management Information System (MIS) to help identify risks and to take appropriate measures to mitigate such risks.

## **Anti-Money Laundering**

According to the guideline of Bangladesh Bank (BB), MTBSL has developed its own Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) Policy, which is approved by the Board of MTBSL.

## **Business Strategy:**

### **Retail Investors**

MTBSL has quite a large base of retail investors and most of them are very active in trading. This enables us to maintain a steady trade volume on Dhaka Stock Exchange (DSE). Introducing technology based value added services like IPO management for primary investors and efficient margin loan management will help us serve our growing number of individual customer base even better.

### **Institutional and Foreign Trading**

MTBSL plans to focus more on its core business activity and, in the process, to contribute more to the revenue stream from its commission based earnings from the increased number of trading accounts of institutional and foreign clients.

### **Business Outlook 2016 and Beyond**

MTBSL recognizes the importance and contribution of each individual client for its existence and growth. Hence priority for MTBSL in 2016 and beyond would be to surpass its own superior service standard and set the industry benchmark. Serving more institutional clientele and efficient management of margin loan would also remain a priority in 2016. Cross-border strategic alliance with key players in various geographic locations would continue to remain a target for 2016 and beyond.

# MTB Capital Limited (MTBCL)



MR. RASHED A. CHOWDHURY  
Chairman



MR. ANIS A. KHAN  
Vice Chairman



DR. ARIF DOWLA  
Director



MR. ANWARUL AMIN  
Independent Director



MR. SYED RAFIQUUL HAQ  
Director



MR. KHAIRUL BASHAR ABU TAHER MOHAMMED  
CEO

## Capital Market Operations and Equity Investment

The capital market is the engine of growth for an economy, and performs a crucial role in acting as an intermediary between savers and companies seeking additional financing for business expansion. The DSEX Index over the current year looks positive compared to the previous year. Automated Trading System, Demutualization of Exchanges, Public Issue Rules 2015, BSEC upgrade into category "A" from IOSCO, Tribunal for share market related cases, Financial Reporting Act, DSE Listing Regulation 2015, BSEC approved a list of panel auditor, IPO application through Merchant Banks and Broker and Dealer, Online Surveillance of BSEC, increase foreign and local investment will lead to a favorable climate in which MTBCL will be able to continue business growth with strong fundamentals.

In 2015, MTBCL has submitted IPO Prospectus of Oimex Electorade Limited to the tune of Tk. 12.00 crore to the Bangladesh Securities and Exchange Commission (BSEC) for approval besides i. Agreement has been signed with Agrani Agro Fisheries Limited for their capital raising and forth coming IPO as issue manager ii. Agreement has been signed with Mashud Fish Processing & Ice Complex Ltd. for their capital raising and forth coming IPO as issue manager iii. Agreement has been signed with Apexpharma Ltd. for their capital raising and already has got approval from BSEC iv. Agreement has been signed with Electro Battery Company Ltd. for their capital raising and forth coming IPO v. Agreement has been signed with R.A. Spinning Mills Ltd. for their capital raising and MTB granted mandate for issue of BDT 950 million redeemable cumulative preference shares by star ceramics ltd. where the MTB Capital will perform as Issue Manager.

MTB Capital Ltd. has made a profit BDT 7.476 Million for the period 31st December 2015. MTBCL strictly follows the rules and regulations of BSEC, DSE, CSE, BB and others.

### Business outlook for the year 2016

The current performance inspired our belief that we can continue to maximize shareholders value in the upcoming year. We anticipate that the profit will be accepted level in 2016. We give emphasis to increase our earnings in portfolio management, issue management, corporate advisory service and underwriting. We will also concentrate to increase the number of clients and their portfolio size. Our own portfolio is always the main source of earning till now and it will continue.



# MTB Exchange (UK) Limited (MTB UK)



MR. RASHED A. CHOWDHURY  
Chairman



MR. ANIS A. KHAN  
Vice Chairman



MR. M. A. ROUF, JP  
Director



MR. SYED MANZUR ELAHI  
Director



DR. SULTAN HAFEEZ RAHMAN  
Independent Director



MR. MD ANISUR RAHMAN  
CEO



### Introduction:

MTB Exchange (UK) Limited (MTB UK), a fully owned subsidiary of MTB started its operation on February 15th 2011 under Bangladesh Bank (BB) License, (BB letter reference: BRPD(M)/204/25/2010-289 dated 19/08/2010), License from Financial Conduct Authority (FCA), United Kingdom (UK) and HM Revenue & Customs of the United Kingdom. The license from Bangladesh Bank allows homebound remittances to Bangladesh only; while the UK license allow to act as a full-pledged exchange house, including sending and receiving remittances from and to any country and act as 'Bureau De Change'.

### Remittance Industry in UK:

The United Kingdom is a multicultural land; a number of communities from different countries live there. India, Poland and Pakistan are the top three countries of birth for the foreign-born people in the UK, accounting respectively for 9.1%, 8.7% and 5.8% of its total population, followed by Ireland, Germany, United States, South Africa and then Bangladesh. It is worth mentioning that India, Poland, Pakistan, South Africa are also the leading remittance receiving countries. Besides, the United Kingdom is the world's 8<sup>th</sup> biggest tourist destination with approximately 29+ million visitors, with spending of about USD 17+ billion each year. It thus follows that a large number of foreign exchange transactions take place in the UK, apart from the regular remittance business.

### Business Outlook:

In 2015, inevitably the uncertainty and fear of unemployment lowered the levels of remittances sent by Bangladeshi migrants due to ongoing global recession. Markets may have staged a strong recovery in the first quarter of 2016, but the sustainability of that run remains in doubt, and within much of the remittance market in UK.

Exchange houses of Bangladeshi commercial banks are facing threat as they are in an unhealthy competition with traditional money transfer companies (MTC). According to UK Money market experts, non-resident Bangladeshis and MTCs owners, about 60% remittance from UK comes to Bangladesh through informal channel. MTB UK is struggling hard to sustain with the present market scenario.

We are in process to explore every window, which can help us to survive. We applied to the Bangladesh regulatory authority to become agents of Western Union, MoneyGram and of other internationally reputed and well-established money service businesses, thus broadening the horizon of sending money through them to any part of the world.

The international remittance companies have already introduced agent model of such businesses in India and other parts of the world, and sharing handsome revenue with their agents. This model is helping the agents to use the huge global network of such global institutions, managing all Anti Money Laundering (AML) & Know Your Customer (KYC) procedures and due diligence requirements, which is not possible, alone, for an individual exchange house of a Bangladeshi Bank. This can help us to earn more revenue and reduce the accumulated financial losses being incurred now.

### Review of Business Performance 2015:

#### Remittance:

MTB UK's total remittance sent in the year 2015 was GBP 5.61 million, with 101.8% growth compared to 2014.

#### Earnings from Commission:

As the growth of remittance inflow increased significantly, the commission earnings were also boosted as well. The commission income was GBP 64,714.25 which was about 60% growth compared to 2014.

#### Earnings from Bureau De Change:

The earnings from the Bureau De Change was GBP 9,645.31. This amount was slightly lower (0.7%) compared to 2014.

#### Number of Remittance Transactions:

The number of remittance transactions was 9098 which was about 30% higher compared to the previous year.

### Performance at a Glance:

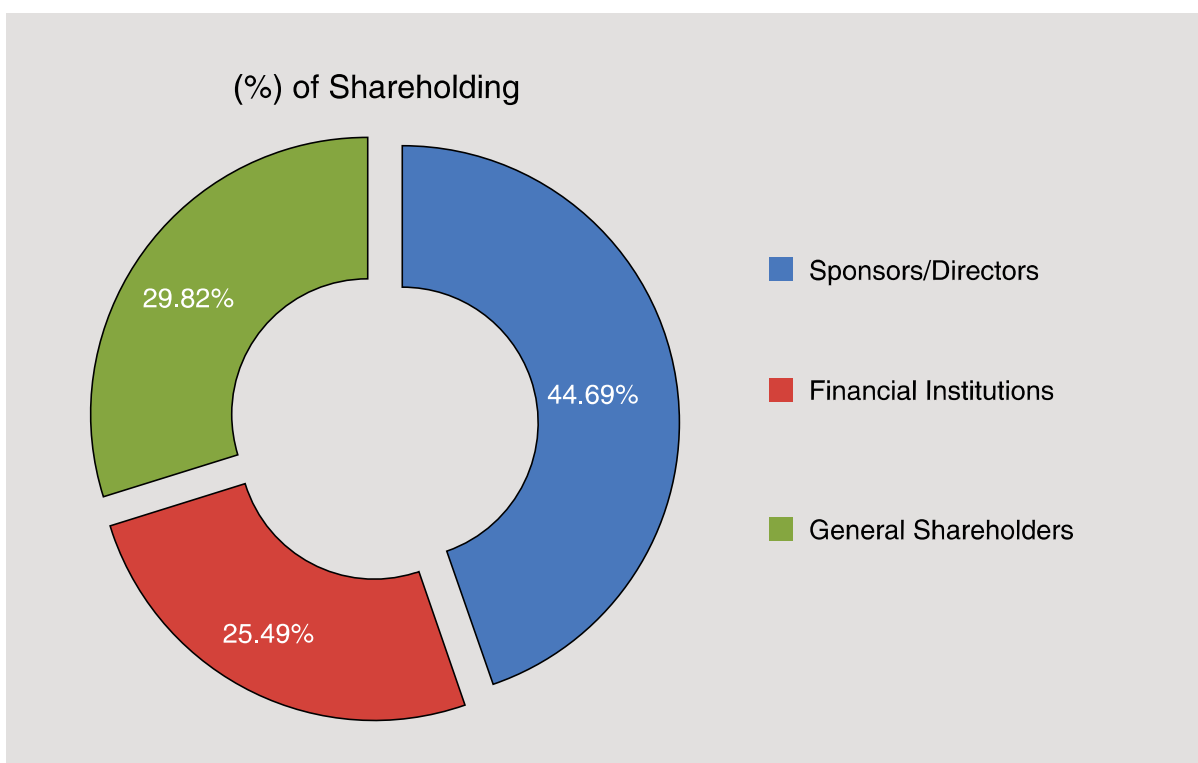
Particulars	2015	2014
Remittance	GBP 5.61 Million	GBP 2.78 Million
Commission Earnings	GBP 64,714.25	GBP 40,444.32
Bureau De Change Earnings	GBP 9,645.31	GBP 9,713.00
Number of Transactions	9,098	6,391

We at MTB UK believe that systemizing the processes, using a feedback and analysis mechanism, a customer relationship management system plus a highly professional trained staff, can help to stand out from the other remittance providers.

# MTB Shareholdings Structure

Category Wise Ownership of Company's Securities  
As on December 31, 2015

SL. No.	Type of Owners	No. of Shares	Values of Shares in BDT	(%) of holding
1	Sponsors/ Directors	165,046,155	1,650,461,550	44.69%
2	Financial Institutions	94,154,131	941,541,310	25.49%
3	General Shareholders	110,115,681	1,101,156,810	29.82%
Grand Total		369,315,967	3,693,159,670	100.00%



## Directors' Responsibilities for Financial Reporting

The Directors are required to present a report along with financial statements and place them before a general meeting as per Companies Act, 1994.

The Directors are also required to report that the financial statements of the Bank and its subsidiaries, which are prepared by the management, give a true and fair view of:

- a) The state of affairs as at balance sheet date; and
- b) The profit and loss for the financial year ended on the balance sheet date.

In preparing these financial statements, the Directors are required to ensure that:

- The appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;
- Estimates and judgments have been made, which are reasonable and prudent; and
- All applicable accounting standards, as relevant, have been followed

The Directors are also required to declare the following matters in their report as per SEC's notification dated August 07, 2012:

- Industry outlook and possible future developments in the industry;
- Segment-wise or product-wise performance with relevant risks;
- Extraordinary gain or loss;
- Related party transactions- a statement of all related party transactions;
- Utilization of proceeds from public issues, rights issues and/or through any other instruments;
- Significant variance between quarterly financial performance and annual financial statements;
- Remuneration to directors including independent directors;
- Preparation of the financial statements and any departure there-from has been adequately disclosed;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts upon the bank's ability to continue as going concern;
- Significant deviations from the last year's operating results;
- Key operating and financial data of at least preceding 5 (five) years;
- If no dividend (cash or stock) has been declared for the year, the reasons thereof shall be given;
- The number of Board meetings held during the year and attendance by each director;
- The pattern of shareholding structure; and
- In case of the appointment/re-appointment of a director, the following information to be disclosed to the shareholders:-
  - a) A brief resume of the director;
  - b) Nature of his/her expertise in specific functional areas;
  - c) Names of companies in which the person also holds the directorship and membership of committees of the board

The Directors confirm that the Annual Report together with the Directors' Report and Consolidated Financial Statements have been prepared in compliance with the laws, rules and regulatory guidelines and SEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By order of the Board.



M. A. Rouf, JP  
Chairman

## Corporate Governance



- Our governance responsibilities are integral to our performance and long-term sustainability.
- Our corporate governance standards reflect emerging best practices and meet or exceed legal and regulatory requirements.

We strive to earn and retain the trust of our shareholders through our high standards of corporate governance. We have rigorous oversight and regulations in place, and we work to embed those practices in our culture.

## Board of Directors

### Composition of the Board

The Board consists of 12 highly accomplished directors, who are professionals in management, law and business. They possess the skills, experience and knowledge to set directions and oversee the overall activities of the bank.

### Meetings

During the year, 13 (thirteen) board meetings were held to formulate policy, set goals and evaluate overall performance.

### Board's Responsibilities

The main responsibilities of the Board are:

- Developing and implementing corporate strategies;
- formulating policy-guidelines and supervising business activities of the bank efficiently as well as ensuring good governance in the bank management;
- Monitoring and reviewing the corporate governance framework;
- Monitoring and reviewing the risk management process;
- Establishing effective and independent internal control system;
- Reviewing business results and monitoring budgetary control;
- Maintaining a direct, ongoing and healthy communication with regulatory bodies;
- Framing policies;
- Setting standards and monitoring compliance with our social responsibility policies and practices; and
- Recommending shareholders to appoint an external auditor.

### Company Secretary

The company secretary is responsible for advising the Chairman and the Board on all corporate governance matters, board procedures and compliance with applicable rules and regulations. The Board Secretary maintains minutes of all meetings.

### Training for New Directors

Presentations are made by the senior management to the Board from time to time on industry related matters.

### Delegation of Power

The Board has delegated appropriate administrative, financial and business authority to the concerned committees and management as per Bangladesh Bank (BB) guidelines. The role of the Executive Committee is:

- To review the policies and guidelines issued by Bangladesh Bank (BB)
- To approve credit proposals as per approved board policy
- To perform according to the terms of reference time to time determined by the board

The Executive Committee is comprised of the following Directors:

Mr. Hedayetullah	Chairman
Mr. M. A. Rouf, JP	Member
Mr. Md. Abdul Malek	Member
Mr. Md. Wakiluddin	Member
Mr. Q. A. F. M. Serajul Islam	Member

## **Role of Chairman, Managing Director & CEO**

### **Role of the Chairman**

The Chairman is a non-executive director, elected by the Board, responsible for organizing the business of the board, ensuring its effectiveness and setting its agenda. The Chairman is not involved in the day-to-day business of the bank. He ensures that board members undertake appropriate induction, covering terms of appointment, duties and responsibilities.

### **Role of the Managing Director and CEO**

The Managing Director & CEO is responsible for overall activities of the business and for formulating and implementing board strategy and policy. He has control of the bank on a day-to day basis and is accountable to the Board for its financial and operational performance.

## **Appointment to the Board**

### **Directors Appointment**

Appointment of a new director is made with the consent of all directors at the immediate Annual General Meeting (AGM). A detailed biography, a declaration of his or her non-engagement with other financial institutions and that he/ she is not a loan defaulter is required to be submitted to Bangladesh Bank. As per the Bank Companies Act, 1991 a person cannot be a director of more than one financial institution, and we adhere to this rule.

### **Independent Director**

Two Independent Directors in the Board of Mutual Trust Bank Ltd. have been appointed in compliance with the Bank Companies Act 1991 (Amended 2013). While calculating the required number of Independent Director as per BSEC Notification.

### **Retirement and Re-election of the Directors**

According to the Articles of Association of the bank and the Companies Act 1994, each Director other than MD & CEO, retires by rotation once every three years and is required to stand for re-election by shareholders at the Annual General Meeting.

## **Appraisal and Removal of the Managing Director & CEO**

### **Appraisal of the Managing Director & CEO**

The performance of the Managing Director & CEO is reviewed every year by the full Board aligned with the financial and non-financial targets, which are in line with the short, medium and long term objectives of the Bank.

### **Removal of the Managing Director & CEO**

The Board is not authorized to remove the Managing Director & CEO without prior consent of the central bank.

### **Directors' Remuneration**

The directors do not receive any type of remuneration or incentives. The board members only receive fees as prescribed by Bangladesh Bank for attending each Board and Committee meetings

The remuneration package of the Managing Director is determined by the Board and requires central bank's approval. He is entitled to get incentive bonus as per central bank's guidelines.

### **Disclosure of Directors' Remuneration**

The law requires the disclosure of information related to the remuneration paid to the Managing Director and Directors.



Remuneration paid to the Managing Director is disclosed on page 203 of this report. The directors' fees during 2015 were as follows:

Sl. No.	Name of the Directors	Position	Remuneration (BDT)
1	Mr. M A Rouf, JP	Chairman (from February 26, 2016)	134,000.00
2	Mr. Hedayetullah	Vice Chairman (from February 26, 2016)	123,000.00
3	Mr. Syed Manzur Elahi	Founding Chairman & Director	133,000.00
4	Dr. Arif Dowla	Director	93,000.00
5	Mr. Rashed A. Chowdhury	Director (Former Chairman)	97,000.00
6	Mr. Md. Abdul Malek	Director	123,000.00
7	Mr. Md. Wakiluddin	Director	105,000.00
8	Mrs. Khwaja Nargis Hossain	Director	97,000.00
9	Mr. Anjan Chowdhury	Director	38,000.00
10	Mr. Q.A.F.M. Serajul Islam	Director	133,000.00
11	Mr. Anwarul Amin	Independent Director	82,000.00
12	Dr. Sultan Hafeez Rahman	Independent Director	80,000.00
<b>TOTAL</b>			<b>12,38,000.00</b>

## Relations with Shareholders

### Notice of the Annual General Meeting (AGM)

The annual report including financial statements and the notice of the meeting are sent to shareholders at least 14 clear days prior to the AGM.

### Beneficial Use of the Annual General Meeting (AGM)

The primary means of communication between the bank and shareholders are the MTB annual report and the AGM. Required information is received by the shareholders prior to the AGM, which gives them an opportunity to exercise their prerogative to raise any business-related issues, either verbally or in writing at the AGM. The Directors remain present at the AGM to answer any queries of the shareholders.

## Accountability

### Financial Reporting, Statutory and Regulatory Reporting

In the preparation of quarterly and annual financial statements, MTB has complied with the requirements of the Companies Act 1994, Bank Companies Act 1991 (Amended in 2013), Bangladesh Bank, Dhaka Stock Exchange and Chittagong Stock Exchange.

- Report of the Board Audit Committee in the Annual Report

The report is given on pages 165 of the Annual Report

### Declaration by the Board that the Business is a Going Concern

This is given in the Directors' Report on page 104 of the Annual Report.

### Audit Committee and Audit

The Audit Committee provides direction to the audit and risk management functions in the bank and monitors the quality of internal audits and management audits. The responsibilities of the Audit Committee are:

- Ensure proper disclosure of the financial statements
- Recommend appointment/removal of external auditors and fixing their remunerations
- Review the financial statements before submission to the Board
- Review the adequacy of the internal control systems
- Review the findings of internal investigations
- Discuss the scope of audit with external auditors
- Looking into reasons of substantial defaulters, if any, of non-payment to stakeholders

**The Audit Committee is comprised of the following Directors:**

Mr. Anwarul Amin, Independent Director	Chairman
Mr. Syed Manzur Elahi, Founding Chairman & Director	Member
Dr. Arif Dowla, Director	Member
Mrs. Khwaja Nargis Hossain, Director	Member
Dr. Sultan Hafeez Rahman, Independent Director	Member

**External Audit**

M.J. Abedin & Co., Chartered Accountants is the statutory auditor of the bank. They do not provide any other accounting, taxation or advisory services to the bank except audit of cash incentives payable to exporters.

**Audits by Bangladesh Bank**

Bangladesh Bank also undertakes audit and inspection of MTB at regular intervals. The reports of the central bank are reviewed by the Board and its audit committee. The bank gives utmost importance to the inspection report and corrective actions are taken regarding the lapses mentioned in the report.

**Internal Control**

The internal control system is designed to manage rather than eliminate the risk of failure in achieving business objectives. Internal controls are aimed at providing reasonable and not absolute assurance against material misstatement or loss.

The internal Audit Division of the bank as well as the Board reviews the internal control system and its effectiveness.

**Awards and Recognition**

MTB was awarded as the best financial Institution of 2014 at the DHL-The Daily Star Bangladesh Business Award. MTB was also awarded as best SME Bank of the year, and Women Entrepreneurs' Friendly Bank of the year at SME Banking Award 2014 jointly organized by Bangladesh Bank and SME Foundation.

MTB received the Merit Certificate for consecutive 3 years under the Institute of Chartered Accountants of Bangladesh (ICAB) National Award 2012, 2013 & 2014 for its published accounts for the year 2011, 2012 and 2013 respectively in the banking category under the financial sector. **Contribution to National Exchequer**  
At MTB, we recognize that we have certain responsibilities to the development of the society and the country as a whole. MTB has contributed significantly to the government exchequer during 2015. The details are:

BDT Million

Particulars	2015	2014
Income Tax from Bank Earning	474	743
Income Tax, VAT and Excise Duty deducted at source	1,341	1,307
Income Tax from Employee's earning	72	52
<b>Total</b>	<b>1,887</b>	<b>2,102</b>

**Disciplinary Committee**

At MTB, we have four (4) written guidelines which are: a) Mutual Trust Bank Ltd. Employees Service Rule, b) MTB Code of Conduct, c) MTB Winning and 4) MTB Compliance Manual. These guidelines are based on the following principles:

- **INTEGRITY:** This implies adherence to accepted moral principles of being honest, impartial and fair-minded.
- **CONFIDENTIALITY:** Among the basic tenets upon which the banking system is founded is confidentiality. This requires the utmost professional conduct in respecting and protecting the privacy and secrecy of the employer, the employer's customers, fellow employees and any other groups on the understanding that information acquired has been obtained in confidence and merits the same care as protection of funds.
- **LOYALTY:** Above the requirement of honesty and integrity, members owe their primary business loyalty to their employer and remain faithful to the employers' customers, the Bank and the profession

- **LEGALITY:** The ethical conduct of banking depends upon the propriety and behavior of those engaged as professionals in the banking industry. In this case, members should always avoid any form of dubious business practice in contradiction to the law and regulations of the country.

If an employee is accused of violating any of the above, the Disciplinary Action committee plays a crucial role in resolving the matter.

### Risk Management

The Board Risk Management Committee has taken various steps to identify risks, which are related to the lending, trading and operating activities of the bank. The committee evaluates risk on a comprehensive basis including, among others, balance sheet management, capital adequacy, credit and operational risk. The committee assesses the risks arising from various activities of bank's operation; develops strategies and policies to mitigate and control those risks, ensures the effective implementation of these policies and strategies; and also reviews and amends the policies and strategies from time to time for ensuring effective control on risk management of the bank.

The Board Risk Management Committee is comprised of the following Directors:

Mr. Syed Manzur Elahi Director (Founding Chairman)	Chairman
Mr. M. A. Rouf, JP Vice Chairman	Member
Dr. Arif Dowla Director	Member
Mr. Anjan Chowdhury, Director	Member
Dr. Sultan Hafeez Rahman Independent Director	Member

### Code of Conduct of Board Members

The code of conduct as prescribed from time to time by the Bangladesh Bank Guidelines is followed by the Board Members. The Directors have complied with such code of conduct during the year 2015.

### Our Governance Structure

The Board and its committees act independently. Every board and committee meeting includes in-camera sessions without management present.

# Compliance Report on BSEC's Notification

The Bangladesh Securities and Exchange Commission (BSEC) required all listed companies to report on the compliance of the conditions described in BSEC's notification dated August 07, 2012 on 'comply' basis.

The company shall obtain a certificate from a practicing professional Accountant / Chartered Accountant / Chartered Secretary / Cost and Management Accountant regarding compliance of corporate governance guidelines of the commission. The issuer company should not engage its External/Statutory Auditors to perform Audit/Certification Services on compliance of corporate governance as required under condition number 7. In compliance of the notification, we have appointed Khan Wahab Shafique Rahman & Co., Chartered Accountants for certification in this regard.

The Board of Directors of MTB has taken appropriate steps to comply with the conditions as detailed in Annexure-I, II & III below:

## Annexure-I

**13 (Thirteen)**, meetings of the Board of Directors were held from **January 01, 2015 to December 31, 2015**. Attendance of the Directors is given below:

Sl No	Name	Position	Meeting held	Attended	Remarks
1.	Mr. Rashed Ahmed Chowdhury (Representing Associated Builders Corporation Ltd.)	Chairman	13	12	Leave of absence was granted by the Board
2.	Mr. M. A. Rouf, JP	Vice Chairman	13	10	Leave of absence was granted by the Board
3.	Mr. Syed Manzur Elahi (Founding Chairman)	Director	13	12	Leave of absence was granted by the Board
4.	Dr. Arif Dowla (former Chairman) (Representing Advanced Chemical Industries Ltd.)	Director	13	9	Leave of absence was granted by the Board
5.	Mr. Md. Hedayetullah	Director	13	11	Leave of absence was granted by the Board
6.	Mr. Md. Abdul Malek	Director	13	13	
7.	Mr. Md. Wakiluddin	Director	13	11	Leave of absence was granted by the Board
8.	Mrs. Khwaja Nargis Hossain	Director	13	13	
9.	Mr. Anjan Chowdhury (Representing ASTRAS Ltd.)	Director	13	7	Leave of absence was granted by the Board
10.	Mr. Q. A. F. M Serajul Islam (Representing Pioneer Insurance Company Ltd.)	Director	13	12	Leave of absence was granted by the Board
11.	Mr. Anwarul Amin	Independent Director	13	10	Leave of absence was granted by the Board
12.	Dr. Sultan Hafeez Rahman	Independent Director	13	10	Leave of absence was granted by the Board
13.	Mr. Anis A. Khan	Managing Director & CEO	13	13	Ex-Officio Director

## Annexure-II

The pattern of shareholding of Mutual Trust Bank Limited as on December 31, 2015 as per BSEC's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012.

a) Shareholding by Parent/Subsidiary/Associated Companies and other related parties Nil

b) Shareholding by:

i) Directors:

SL	Name	Designation	No. of Share	% of Share as on 31.12.2015
1.	Mr. Rashed Ahmed Chowdhury (Representing Associated Builders Corporation Ltd.)	Chairman	18,465,780	5.00%
2.	Mr. M. A. Rouf, JP	Vice Chairman	7,400,119	2.00%
3.	Mr. Syed Manzur Elahi (Founding Chairman)	Director	13,618,285	3.68%
4.	Dr. Arif Dowla (former Chairman) (Representing Advanced Chemical Industries Ltd.)	Director	12,310,506	3.33%
5.	Mr. Md. Hedayetullah	Director	7,390,563	2.00%
6.	Mr. Md. Abdul Malek	Director	7,456,899	2.02%
7.	Mr. Md. Wakiluddin	Director	7,393,060	2.00%
8.	Mrs. Khwaja Nargis Hossain	Director	7,386,541	2.00%
9.	Mr. Anjan Chowdhury (Representing ASTRAS Ltd.)	Director	9,232,861	2.50%
10.	Mr. Q. A. F. M Serajul Islam (Representing Pioneer Insurance Company Ltd.)	Director	25,979,110	7.03%
11.	Mr. Anwarul Amin	Independent Director	Nil	Nil
12.	Dr. Sultan Hafeez Rahman	Independent Director	Nil	Nil
TOTAL			116,633,724	31.56%

ii)	Managing Director & CEO	:	3,861	0.0010%
iii)	Company Secretary	:	Nil	Nil
iv)	Chief Financial Officer	:	Nil	Nil
v)	Head of Internal Control & Compliance	:	Nil	Nil
vi)	Spouses of above Executives	:	Mrs. Monowar Anis Khan 26,796	0.0073%

c)	<u>Shareholding by other Executives (Top 5)</u>	:		
	Additional Managing Director	:	21,224	0.0057%

d)	<u>Shareholders holding ten percent (10%) or more shares</u>	:	Nil	Nil
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# Compliance Status of BSEC Guidelines for Corporate Governance

Status of compliance by Mutual Trust Bank Limited with the Corporate Governance (CG) Guidelines issued by Bangladesh Securities and Exchange Commission (BSEC) through Notification No.SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August, 2012:

## Annexure - III

Condition No.	Title	Compliance status (Put √ in the appropriate column)		Explanation for non compliance with the condition
		Complied	Not Complied	
<b>1.</b>	<b>BOARD OF DIRECTORS:</b>			
<b>1.1</b>	<b>Board's size:</b> Should not be less than 5 (five) and more than 20 (twenty)	√		
<b>1.2</b>	<b>Independent Directors</b>			
1.2 (i)	At least one fifth (1/5) of the total number of directors in the company's board	√		
1.2 (ii) a)	Holds less than one percent (1%) shares of the total paid-up shares of the company	√		
1.2 (ii) b)	Not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship	√		
1.2(ii)c)	Does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies	√		
1.2(ii)d)	Is not a member, director or officer of any stock exchange	√		
1.2(ii)e)	Is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market	√		
1.2(ii)f)	Is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of any statutory audit firm	√		
1.2(ii)g)	Shall not be an independent director in more than 3 (three) listed companies	√		
1.2(ii)h)	Has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI)	√		
1.2(ii)i)	Has not been convicted for a criminal offence involving moral turpitude	√		
1.2(iii)	Nominated by the board of directors and approved by the shareholders in the Annual General Meeting (AGM)	√		
1.2(iv)	Post of independent director(s) not remain vacant for more than 90 (ninety) days			N/A





Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Explanation for non compliance with the condition
		Complied	Not Complied	
1.2(v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded	✓		
1.2(vi)	Tenure of office of an independent director to be for a period of 3 (three) years, which may be extended for 1 (one) term only	✓		
<b>1.3</b>	<b>Qualification of Independent Director (ID)</b>			
1.3(i)	Shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business	✓		
1.3(ii)	Should be a Business Leader/Corporate Leader/Bureaucrat/ University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management/ professional experiences	✓		
1.3(iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission			N/A
<b>1.4</b>	<b>Separate Chairman of the Board and Chief Executive and clearly defined roles and responsibilities</b>	✓		
<b>1.5</b>	<b>The Directors' Report to Shareholders:</b> shall include the following additional statements:-			
1.5 (i)	Industry outlook and possible future developments in the industry	✓		
1.5(ii)	Segment-wise or product-wise performance	✓		
1.5(iii)	Risks and concerns	✓		
1.5(iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin	✓		
1.5(v)	Discussion on continuity of any Extra-Ordinary gain or loss			N/A
1.5(vi)	Basis for related party transactions- a statement of all related party transactions should be disclosed in the annual report	✓		
1.5(vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments			N/A
1.5(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.			N/A



Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Explanation for non compliance with the condition
		Complied	Not Complied	
1.5(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report	✓		
1.5(x)	Remuneration to directors including independent directors	✓		
1.5(xi)	Fair presentation of Financial Statements	✓		
1.5(xii)	Maintenance of proper books of accounts	✓		
1.5(xiii)	Consistent application of appropriate accounting policies and estimates	✓		
1.5(xiv)	Compliance with International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh	✓		
1.5(xv)	Soundness of Internal Control System	✓		
1.5(xvi)	Ability to continue as a going concern	✓		
1.5(xvii)	Significant deviations in Operating results from last year			N/A
1.5(xviii)	Presentation of at least preceding 05 (five) years' Key operating and financial data	✓		
1.5(xix)	Reason for non declaration of dividend			N/A
1.5(xx)	Number of Board meeting and attendance of directors	✓		
1.5(xxi)	Shareholding pattern:-			
1.5(xxi) a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details)	✓		
1.5(xxi) b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details)	✓		
1.5(xxi) c)	Executives;	✓		
1.5(xxi) d)	Shareholders holding ten percent (10%) or more votes interest in the company (name wise details).			N/A
1.5(xxii)	In case of the appointment/re-appointment of a directors,			
1.5(xxii) a)	a brief resume of the director;	✓		
1.5(xxii) b)	nature of his/her expertise in specific functional areas;	✓		
1.5(xxii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	✓		



Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Explanation for non compliance with the condition
		Complied	Not Complied	
<b>2</b>	<b>CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT (INTERNAL CONTROL AND COMPLIANCE) AND COMPANY SECRETARY (CS):</b>			
2.1	Appointment and clearly defined respective roles, responsibilities and duties	✓		
2.2	Attendance of CFO and Company Secretary in the Board of Directors meeting.	✓		
<b>3</b>	<b>AUDIT COMMITTEE:</b>			
3 (i)	A sub-committee of the Board of Directors	✓		
3 (ii)	Shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	✓		
3(iii)	Shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	✓		
<b>3.1</b>	<b>Constitution of the Audit Committee</b>			
3.1 (i)	The Audit Committee shall be composed of at least 3 (three) members.	✓		
3.1 (ii)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) independent director.	✓		
3.1 (iii)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	✓		
3.1 (iv)	Filling of casual vacancy			N/A
3.1 (v)	The company secretary shall act as the secretary of the Committee.	✓		
3.1 (vi)	Quorum of the Audit Committee	✓		
<b>3.2</b>	<b>Chairman of the Audit Committee</b>			
3.2 (i)	Who shall be an independent director	✓		
3.2 (ii)	Shall remain present in the Annual General Meeting (AGM).	✓		
<b>3.3</b>	<b>Role of Audit Committee</b> shall include the following:-			
3.3 (i)	Oversee the financial reporting process.	✓		
3.3 (ii)	Monitor choice of accounting policies and principles.	✓		
3.3 (iii)	Monitor Internal Control Risk management process.	✓		
3.3 (iv)	Oversee hiring and performance of external auditors.	✓		



Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Explanation for non compliance with the condition
		Complied	Not Complied	
3.3 (v)	Review along with the management, the annual financial statements before submission to the board for approval.	✓		
3.3 (vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval.	✓		
3.3 (vii)	Review the adequacy of internal audit function.	✓		
3.3 (viii)	Review statement of significant related party transactions submitted by the management.	✓		
3.3 (ix)	Review Management Letters/Letter of Internal Control weakness issued by statutory auditors.	✓		
3.3 (x)	Disclosure of utilization of fund raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue to the Audit Committee on a quarterly basis, as a part of their quarterly declaration of financial results.			N/A
<b>3.4</b>	<b>Reporting of the Audit Committee</b>			
<b>3.4.1</b>	<b>Reporting to the Board of Directors</b>			
3.4.1(i)	Audit Committee shall report on its activities to the Board of Directors.	✓		
3.4.1(ii)	Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-			
3.4.1(ii) a)	report on conflicts of interests;			No such events happened as per draft audit report, thus not reported
3.4.1(ii) b)	suspected or presumed fraud or irregularity or material defect in the internal control system;			
3.4.1(ii) c)	suspected infringement of laws, including securities related laws, rules and regulations;			
3.4.1(ii) d)	any other matter which shall be disclosed to the Board of Directors immediately.			
<b>3.4.2</b>	<b>Reporting to the Authorities (the Commission)</b>			
<b>3.5</b>	<b>Reporting to the Shareholders and General Investors</b>			
<b>4.</b>	<b>EXTERNAL/STATUTORY AUDITORS:</b> Should not engage to perform the following services; namely:-			
4 (i)	Appraisal or valuation services or fairness opinions.	✓		
4 (ii)	Financial information systems design and implementation.	✓		
4 (iii)	Book-keeping or other services related to the accounting records or financial statements.	✓		





Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Explanation for non compliance with the condition
		Complied	Not Complied	
4 (iv)	Broker-dealer services.	✓		
4 (v)	Actuarial services.	✓		
4 (vi)	Internal audit services.	✓		
4 (vii)	Any other service that the Audit Committee determines.	✓		
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.	✓		
4 (ix)	Audit /certification service on compliance of corporate governance	✓		
5.	<b>SUBSIDIARY COMPANY:</b>			
5 (i)	Composition of the Board of Directors	✓		
5 (ii)	Appointment of independent director	✓		
5 (iii)	Review of minutes of Board meeting by the holding company.	✓		
5 (iv)	Reviewed the affairs of the subsidiary company also.	✓		
5 (v)	Review the financial statements by the Audit Committee of the holding company	✓		
6.	<b>DUTIES OF CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO):</b> The CEO and CFO shall certify to the Board that:-			
6. (i)	They have reviewed financial statements for the year and that to the best of their knowledge and belief:	✓		
6 (i) a)	these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	✓		
6 (i) b)	these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	✓		
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	✓		
7.	<b>REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE:</b>			
7 (i)	Obtainment of certificate regarding compliance of conditions of Corporate Governance Guidelines	✓		
7 (ii)	Director's statement on compliance with these conditions.	✓		



# Certificate on Compliance of Conditions of Corporate Governance Guidelines

A member firm of **mgj**  
BUSINESS SOLUTIONS  
REALITIES

**Khan Wahab Shafique Rahman & Co.**  
Chartered Accountants

**Partners:**  
S.M. Shafique FCA  
Mujibur Rahman FCA  
Md. Abu Sina FCA  
Md. Anisur Rahman FCA



Rupali Bima Bhaban (5<sup>th</sup> Floor),  
7, Rajuk Avenue,  
Motijheel, Dhaka-1000  
Tel: 9565136, 9551663,  
Fax: 880-02-9551821,  
E-mail: kwsr@dhaka.net

## **Certificate on Compliance of Conditions of Corporate Governance To The Shareholders of Mutual Trust Bank Limited**

We have examined the status of compliance of conditions of Corporate Governance issued by Bangladesh Securities & Exchange Commission (BSEC) vide its notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August, 2012 in regard to Mutual Trust Bank Limited (the Bank) for the year ended December 31, 2015.

The compliance with the said conditions of Corporate Governance and reporting the status thereof is the responsibility of the management of the Bank. Our responsibility is to provide a certificate about whether the Bank is in compliance with the said conditions of Corporate Governance based on our examination.

Our examination has been made for the purpose of issuing this certificate was limited to the procedures including implementation thereof as adopted by the Bank for ensuring the compliance of the conditions of Corporate Governance and correct reporting of the status of the compliance on the attached statement on the basis of evidence gathered and representation received. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

To the best of our information and according to the explanations given to us, we certify that Mutual Trust Bank Limited has complied with the conditions of Corporate Governance as enclosed stipulated in the above mentioned BSEC's notification dated 07 August, 2012.

**Dhaka, Dated  
March 24, 2016**

  
**Md. Anisur Rahman FCA**  
**Partner**

ICAB Enrollment No. 350  
Khan Wahab Shafique Rahman & Co.  
Chartered Accountants



**Branch Office:**  
Sabbir Chamber (3<sup>rd</sup> Floor),  
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# Report of Board Audit Committee

The bank formed an Audit Committee on January 18, 2003 comprising 03 (three) members of the Board as per BRPD Circular no. 12 dated December 23, 2002 of Bangladesh Bank and the Notification (SEC/CMRRC/2006-158/Admin/02-08 dated February 20, 2006) of the Securities and Exchange Commission. The Audit Committee was last reconstituted on March 16, 2014 comprising 05 (five) members of the Board as per BRPD Circular No. 11 dated October 27, 2013 and in line with the SEC's Notification No. SEC/CMRRC/2006-158/129/Admin/43 dated July 03, 2012.

## Role of the Committee

The Audit Committee of the Board of a bank plays an effective role in building a bridge between the board and management, shareholders, regulators, depositors, and other stakeholders and helps in ensuring efficient, safe and sound banking practices. The Board of Directors of MTB recognizes the importance of the Audit Committee. The Committee assists the Board in fulfilling its oversight responsibilities including implementation of the objectives, strategies and overall business plans set by the Board for effective functioning of the Bank. The key role of the committee is to assist the Board in its oversight responsibility. In order to fulfil the same, among others, the following are the prime responsibilities of the MTB Board Audit Committee.

### a) Internal Control:

- i. Evaluates whether the management has set the appropriate compliance culture by communicating the importance of internal control and clearly defining the duties & responsibilities of the Bank officials, and whether the management has full control over their activities.
- ii. Reviews the arrangements made by the management for building a suitable Management Information System (MIS) including computerized system and its applications.
- iii. Considers whether the internal control strategies/structures recommended by internal and external auditors from time-to-time have been implemented by the management.
- iv. Reviews the corrective measures taken by the management as regards the incidents relating to frauds-forgeries, deficiencies in internal control or other similar issues detected by internal and external auditors and inspectors of the regulatory authorities and inform the Board on regular basis.

### b) Financial Reporting:

- i. Reviews the annual financial statements and verifies whether full and fair disclosure of information have been made therein, and whether statements have been prepared in accordance with the existing rules & regulations in the country and accounting standards, including the standards set by Bangladesh Bank.
- ii. Meets the management and the external auditors to exchange views before the finalization of the financial statements.

### c) Internal Audit:

- i. Ensures the internal audit functions are dealt with independently from the ambit of management and its report is submitted to the Audit Committee of the Bank.
- ii. Reviews the internal audit functions and organizational structure in order to ensure that unjustified restrictions or limitations do not create a hindrance to audit functions.
- iii. Reviews the efficiency and effectiveness of internal audit functions.
- iv. Checks that the findings and recommendations made by the internal auditors for removing the irregularities are duly acted upon by the management in running the affairs of the bank.

### d) External Audit:

- i. Reviews the audit performance of the external auditors and the audit reports.
- ii. Checks that the findings and recommendations made by the external auditors for removing the irregularities are duly acted upon by the management in running the affairs of the Bank.
- iii. Makes recommendations to the Board regarding the appointment of the external auditors for conducting the audit work of the Bank.



**e) Compliance with Existing Laws, Rules & Regulations:**

Reviews whether the rules and regulations framed by the regulatory authorities (central bank and other agencies) and internal regulations approved by the Board are being complied with.

**f) Other Responsibilities:**

- i. Places compliance report before the Board regarding regularization of the errors, omissions, frauds, forgeries and other irregularities as detected by the internal and external auditors and inspection teams of Bangladesh Bank.
- ii. Ensures that the internal and external auditors submit evaluation reports to the committee on a particular issue.
- iii. Performs other oversight functions as requested by the Board and evaluates its own performance on a regular basis.

**Composition of the Committee:**

The members of the Audit Committee are:

- |  |            |
|--|------------|
| 1. Mr. Anwarul Amin, Independent Director              | : Chairman |
| 2. Mr. Syed Manzur Elahi, Director (Founding Chairman) | : Member   |
| 3. Dr. Arif Dowlā, Director (Former Chairman)          | : Member   |
| 4. Mrs. Khwaja Nargis Hossain, Director                | : Member   |
| 5. Dr. Sultan Hafeez Rahman, Independent Director      | : Member   |

The Company Secretary of the Bank functions as the Secretary of the Committee as per regulatory guidelines. The Managing Director & CEO, other members of Corporate Management, representatives of the External Auditors, Head of Internal Control and Compliance, Head of Credit Risk Management, Head of Group Finance, Head of Special Assets Management and other officials are invited to attend the meetings as and when the Committee requires their presence.

**Meetings:**

The Committee regularly meets the Heads of Internal Control and Compliance, Credit Risk Management, Group Finance, Special Assets Management, other Bank Officials and also the External Auditors to discuss the Bank's Financial Reporting, Audit Review, Internal Control & Compliance Position, recovery of Special Assets and other relevant matters.

During the year 2015, four meeting of the MTB Board Audit Committee were held.

**Activities:**

During the year under review, the Committee, inter alia, focused on the following activities:

- Reviewed the internal audit plan for the year 2015 along with its implementation.
- Reviewed the draft financial statements and recommended the same to the Board for consideration after the meeting with the representatives of the External Auditors.
- Reviewed the Management Letter issued by the External Auditors, management response thereon and corrective measures taken by the Bank to avoid recurrence of the lapses mentioned therein.
- Reviewed the quarterly financials of the Bank prepared to evaluate the performance for onward submission to the shareholders as statutory requirements.
- Reviewed the major internal audit findings (Branches and Divisions/Departments of Corporate Head Office) with a view to taking corrective action on time.
- Reviewed the major findings/observations of Bangladesh Bank's Inspection Reports and advised the management of the Bank to take steps for rectification of lapses/irregularities toward fulfilling compliance requirement of the regulator.
- Reviewed the Annual Health Report of the Bank as a regulatory requirement and advised the management of the Bank to take steps for further improvement of the financial health of the Bank.
- Placed compliance reports/minutes before the Board detailing the decisions taken/recommendations made by the Committee in its various meetings for information/concurrence of the Board.

**Approval of Financial Statements:**

The Audit Committee reviewed and examined the Annual Financial Statements, 2015 prepared by the Management and audited by the External Auditors M. J. Abedin & Co. and recommended to place the same before the Board for consideration.

The Board approved the same in its 190<sup>th</sup> meeting held on March 15, 2016.

**Acknowledgement:**

The MTB Board Audit Committee expresses its sincere thanks to the members of the Board, Management and the Auditors for their support in carrying out its duties and responsibilities effectively.



ANWARUL AMIN  
CHAIRMAN OF THE MTB BOARD AUDIT COMMITTEE

# Report on Internal Control and Compliance

Internal Control and compliance is the process, effected by a company's Board of Directors, Management and other personnel designed to provide reasonable assurance regarding the achievement of organizational objectives in the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws, regulations and internal policies. It plays a pivotal role in preventing and detecting frauds, forgeries and protecting the organization's resources.

Mutual Trust Bank has restructured its Internal Control and Compliance Division, headed by a senior level executive, in light of the Core Risk Management Guidelines of Bangladesh Bank. The Division comprises of three departments; Audit and Inspection Department, Compliance Department, and Monitoring Department. The Bank has an Internal Control and Compliance Policy and a Compliance Manual duly approved by the Board of Directors.

The Internal Control and Compliance Division ensures internal control structure in the Bank with appropriate assignment, accountability of the personnel and delegation of authorities to functional management to create control and ensure a compliance culture within the organization under the active guidance and supervision of the Senior Management and the Board of Directors.

The Bank Company Act, 1991 (amended in 2013) requires some changes in the reporting line and Organogram of the Internal Control and Compliance Division. In light of the changes in the Bank Company Act, the reporting line has been changed and the Organogram revamped to ensure that internal audit functions are dealt with independently from the ambit of management and its report is submitted to the Audit Committee of the Bank.

As a tool of Internal Control, the Audit and Inspection Department undertakes periodic and special audits and inspections on the branches and departments/divisions of the Head Office in order to sort out the weaknesses and defects in the control processes and it reports to the Senior Management & the Audit Committee for corrective measures to protect the interest of the Bank.

The Compliance and Monitoring Departments of the Internal Control and Compliance Division ensure the timely and proper compliance with relevant laws, regulatory instructions, and internal policies and procedures in the day-to-day operations of the Bank by way of using various control tools. The concerned departments assess the operational risks and take appropriate measures to mitigate the same for smooth operation of the Bank.

The Internal Control and Compliance Division reports on the serious non-compliances detected by internal and external auditors and Bangladesh Bank's inspection teams with up-to-date compliance position, large financial risk exposures, weaknesses in control mechanism and other risk areas to the Audit Committee of the Board for review and appropriate remedial measures.

There is Internal Control and Compliance Evaluation Committee, which assists the Management Committee (MANCOM) of the Bank to provide a certificate to the Board of Directors on the effectiveness of Internal Control policy, practice and procedure of the Bank annually as a regulatory compliance.

The overall Internal Control and Compliance position of the Bank was at satisfactory level during the year 2015.

# Disclosures on Risk Based Capital (Basel III)

## 1. Introduction

In accordance with Basel III, a global regulatory framework for more resilient banks and banking systems, issued by Basel Committee for Banking Supervision (BCBS) in 2010, Bangladesh Bank (BB) issued Guidelines on Risk Based Capital Adequacy (a revised regulatory capital framework for banks in line with Basel III) in December 2014. The objectives of Market discipline in the revised framework is to establish a more transparent and disciplined financial market, so that stakeholders can assess the position of a bank regarding holding of assets and to identify the risks relating to the assets and capital adequacy to meet probable loss of assets. The following detailed qualitative and quantitative disclosures are provided in accordance with Guidelines on Risk Based Capital Adequacy by Bangladesh Bank.

## 2. Disclosure Policy

Bank calculates Risk Weighted Assets (RWA) under the following approaches as per Basel III guidelines (BRPD circular no.18, dated December 21, 2014):

a) Standardized approach for credit risk, b) Standardized approach for market risk and, c) Basic indicator approach for operational risk.

## 3. Components of Disclosure Framework:

i) Scope of application, ii) Capital structure, iii) Capital adequacy, iv) Credit risk, v) Equities: disclosures for banking book positions, vi) Interest Rate Risk in the Banking Book (IRRBB), vii) Market risk, viii) Operational risk, ix) Leverage ratio, x) Liquidity ratio, xi) Remuneration

### i. Scope of Application:

The Risk Based Capital Adequacy framework applies to all banks on 'Solo' and 'Consolidated' basis, where the framework on 'Solo' basis refers to all positions of the bank, and its local and overseas branches/offices, and 'Consolidated' basis includes incase of subsidiary companies. Mutual Trust Bank Limited (MTB) applies both the frameworks on "Solo" and "Consolidated" basis, as the bank has three subsidiaries, namely i) MTB Securities Limited ii) MTB Capital Limited iii) MTB Exchange (UK) Limited.

### ii. Capital Structure

#### Qualitative Disclosures

The terms and conditions of the main features of all capital instruments have been segregated in terms of eligibility criteria (BRPD Circular No. 18 dated December 21, 2014 and other instructions given by Bangladesh Bank).

Tier-I Capital consists of Common Equity Tier-I (CET-I) and Additional Tier-I Capital. MTB has no additional Tier-I Capital. CET-I Capital of MTB comprises Paid-up Capital, Statutory Reserve, General Reserve, Retained Earnings and Minority Interest in subsidiaries. Supplementary Capital (Tier-II) comprises General Provisions (on unclassified and Special Mention Account (SMA) loans and off-balance sheet exposure), Revaluation Reserves for Securities, Fixed Assets and Equities following the deductions as per Basel III guidelines; MTB's Partially Convertible Subordinate Bond as approved by Bangladesh Bank (BB), and Bangladesh Securities and Exchange Commission (BSEC).

## Quantitative Disclosures

BDT in Million

Particulars	Solo	Consolidated
<b>Total Eligible Capital</b>		
<b>Common Equity Tier-I Capital:</b>		
Paid up capital	3,693.16	3,693.16
Statutory reserve	2,721.14	2,721.14
General reserve	446.78	446.78
Retained earnings	786.95	752.89
Minority Interest in Subsidiaries	0.00	0.13
<b>Regulatory Adjustment/Deduction</b>		
Goodwill and Other Intangible Assets	47.32	47.32
<b>Investments in own CET-I Instruments/Shares</b>	1.54	1.54
<b>Total Common Equity Tier-I Capital</b>	7,599.17	7,565.24
<b>Additional Tier-I Capital</b>	0.00	0.00
<b>Total Tier-I Capital</b>	7,599.17	7,565.24
<b>Tier-II Capital:</b>		
General Provision	1,138.16	1,139.24
Revaluation Reserves	260.13	260.13
Subordinated debt	3,500.00	3,500.00
<b>Regulatory Adjustment/Deduction</b>	52.02	52.02
<b>Total Tier-II Capital</b>	4,846.27	4,847.35
<b>Total Eligible Capital</b>	12,445.44	12,412.59

### III. Capital Adequacy

#### Qualitative Disclosures

##### a. Capital Calculation Approach

Assessment of capital adequacy is carried out in conjunction with the capital adequacy reporting to the Bangladesh Bank (BB): standardized approach for credit & market risk and basic indicator approaches for operational risk.

#### Quantitative Disclosures

##### b. Capital of the Bank

BDT Million

Capital Adequacy	Solo	Consolidated
Capital Requirement for Credit Risk	9,105.33	9,113.95
Capital Requirement for Market Risk	455.42	505.51
Capital Requirement for Operational Risk	649.39	707.22
<b>Total Capital Requirement</b>	10,210.14	10,326.68
<b>Total Capital</b>	12,445.44	12,412.59
<b>Capital to Risk Weighted Asset Ratio (CRAR)</b>	12.19	12.02
<b>Common Equity Tier-I Capital Ratio (%)</b>	7.44	7.33
<b>Total Tier-I Capital Ratio (%)</b>	7.44	7.33
<b>Tier-II Capital Ratio (%)</b>	4.75	4.69
<b>Capital Conservation Buffer</b>		
<b>Available Capital under Pillar-II Requirement</b>	2,235.3	2085.91

MTB follows following principles in maintaining its capital base:

- Maintaining a strong capital ratio;
- Maintaining capital at reasonable level to absorb all material risks;
- Maintaining 1%-2% capital buffer - the surplus to withstand Stress Tests and to fulfill ICAAP requirements.

MTB ensures compliance with the regulatory requirements, and satisfaction of external rating agencies and other stakeholders including depositors.

### c. Capital Management

Initiative to ensure adequate capital encompasses:- Issuance of subordinated debt to raise Tier-II capital, and minimizing gap between Tier-I and Tier-II capital.

- Consistently encouraging borrowersto complete external credit rating to assess counterparty Credit Risk status, and to reduce capital requirements.
- Improving and enhancing collateral coverage through efforts to obtain eligible collateral.
- Assessment of risk profile and credit rating of new clients.

MTB's CRAR is periodically reviewed and assessed by the Risk Management Division (RMD), and reported to senior management.

## iv. Credit Risk

### Qualitative Disclosure

MTB manages credit risk through a robust process that enables the bank to proactively manage its loan portfolio in order to minimize losses, and earn an acceptable level of return for its shareholders

### Credit Risk Management at MTB

MTB's Credit Policy Manual (CPM), approved by the Board of Directors, defines organizational structure, roles and responsibilities and processes whereby credit risk scan be identified, quantified, and managed. Credit instruction manuals address regulatory issues and establish control points. MTB Credit approvals clearly specifies all conceivable aspects including eligibility of the borrower, requirement of papers/information/ documents, borrower's stake and all other issues related to borrowing. The credit policy encompasses, all operational issues of credit, right from selection of borrower to the ultimate recovery including transfer process of delinquent account and treatment of slow, overdue accounts, Special Mention Accounts (SMA) and classified loan accounts. MTB manages credit risk through continuous measuring, and monitoring of risks at obligor (borrower) levels and portfolio level and follows Bangladesh Bank prescribed Credit Risk Grading (CRG) model, and has developed a credit appraisal/approval process. The CRG model captures quantitative and qualitative issues related to management risk, business risk/industry risk, financial risk, security risk and relationship risk,while assessing the overall grading of borrowers. External credit ratings of our clients are also being done. Till Q4-2015, MTB's total number of rated clients is 1184, which was 656 in Q4-2014. For ensuring smooth and quality credit operations; good governance, quick approvals, better control, and making safe and secured lending have been emphasized.

### Loan Classification

All the loans and advances are grouped into four categories for the purpose of classification, which are; (i) Continuous Loan (ii) Demand Loan (iii) Fixed Term Loan and (iv) Short-term Agricultural and Micro-Credit.

Continuous & Demand Loans are classified as:

- Sub-standard - if past due for 3 months or more, but less than 6 months;
- Doubtful - if past due for 6 months or more, but less than 9 months;
- Bad/Loss - if past due for 9 months or more.

Fixed Term Loans amounting up to 10 lacs are classified as:

- Sub-standard - if the defaulted installment is equal to or more than the amount of installment(s) due within 6 (Six) months;
- Doubtful - if the defaulted installment is equal to or more than the amount of installment(s) due within 9 (Nine) months;
- Bad/Loss - if the defaulted installment is equal to or more than the amount of installment(s) due within 12 (Twelve) months.



Fixed Term Loans for more than 10 lacs are classified as:

- Sub-standard - if the defaulted installment is equal to or more than the amount of installment (s) due within 3 (Three) months;
- Doubtful - if the defaulted installment is equal to or more than the amount of installment (s) due within 6 (Six) months;
- Bad/Loss - if the defaulted installment is equal to or more than the amount of installment (s) due within 9 (Nine) months.

Short-term Agricultural and Micro Credit are classified as:

- Sub-standard - if the irregular status continues after a period of 12 (twelve) months;
- Doubtful - if the irregular status continues after a period of 36 (thirty-six) months;
- Bad/Loss - if the irregular status continues after a period of 60 (sixty) months.

A continuous credit, demand loan or term loan which remains overdue for a period of 60 days or more is classified as a "Special Mention Account (SMA)".

BDT Million

Credit Risk	Amount
<b>a) Total gross credit risk exposures broken down by major types of credit exposure</b>	
Term Loan	24,536.76
Time Loan	658.58
SME Financing	9,277.77
Consumer Financing	399.48
Retail Financing	2,552.74
General Loans	2,872.37
Demand Loan	1,457.35
Payment Against Documents (PAD)	344.03
Trust Receipts	8,484.51
Lease Finance	333.01
Export Development Fund	1,535.29
House Building Loan	3,254.99
Staff/Employee Loan	600.62
Loans and Advances - Off-shore Banking Unit	1,286.28
Loan disbursed by MTB Subsidiaries	2,502.28
Cash Credit	22,542.35
Packing Credit	75.09
Secured Overdraft	11,208.37
<b>Bills purchased and discounted</b>	
Payable in Bangladesh	2,185.71
Payable outside Bangladesh	151.38

BDT Million

Credit Risk	Amount
<b>b) Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.</b>	
Urban	
Dhaka Division	68,758.96
Chittagong Division	18,511.54
Rajshahi Division	3,704.76
Sylhet Division	742.93
Khulna Division	1,302.24
Rangpur Division	1,720.93
Barisal Division	80.89
Rural	
Dhaka Division	1,536.10
Chittagong Division	1,157.92
Rajshahi Division	-
Sylhet Division	72.51
Khulna Division	-
Rangpur Division	-
Barisal Division	-
<b>c) Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.</b>	
Agriculture	2,504.65
RMG	6,086.85
Textile	7,792.55
Ship-Building	1,029.40
Ship-Breaking	894.16
Other Manufacturing Industry	20,210.59
SME loans	12,304.69
Construction	1,243.35
Power, Gas	2,721.40
Transport, Storage and Communication	997.44
Trade Service	12,481.95
Commercial real-estate financing	5,324.47
Residential real-estate financing	821.41
Consumer credit	1,562.18
Capital Market	3,789.76
NBFIs	5,797.66
Advances to Managing Director and Senior Executives	600.62
Others	11,425.63
<b>d) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure</b>	
On Demand	12,847.24
Not more than three months	20,690.48
More than three months but less than one year	30,169.26
More than one year but less than five years	22,479.34
More than five years	11,402.45

#### e) Amount of Impaired Loans

BDT Million

Particulars	Amount
Continuous Loans	560.68
Demand Loans	147.47
Term Loans	1,307.43
Short-Term Agro-Credit and Micro-Credit	18.84
<b>Total</b>	<b>2,034.42</b>

#### Specific and General Provisions

Specific and general provisions were made on the amount of classified and unclassified loans and advances/ investments respectively, exposures of off-balance sheet, and off-shore banking units of the Bank.

BDT Million

Particulars	Amount
Provision on unclassified loans and advances/ investments including Off-shore banking unit	1,065.00
Provision on classified loans and advances/ investments	1,182.00
Provision on Off-balance sheet exposure	352.00
<b>Total</b>	<b>2,599.00</b>

#### Guidelines for Loan Loss Provisions

The Bank follows Bangladesh Bank (BB) guidelines regarding loan classification, provisioning, and any other issues related to Non-Performing Loan (NPL), internal credit guidelines, direct loan provisioning, review procedure, debt write-off, facility grading, reporting requirement and interest recognition.

Particulars	Rate
<b>General Provision</b>	
Against all unclassified loans (Standard and SMA) of Small and Medium Enterprise (SME)	0.25%
Against all unclassified loans and off-balance sheet exposures (other than Short Term agri. Credit & Micro credit, loans under Consumer Financing, SME Financing, Loans to Brokerage House, Merchant Banks, Stock dealers)	1%
On unclassified amount for Housing Finance (HF) and Loans for Professionals (LP) to set up business under Consumer Financing Scheme, loans to Brokerage House, Merchant Banks, Stock dealers.	2%
On the Standard loans for Short Term agri. Credit & Micro credit	2.50%
On unclassified amount for Consumer Financing other than HF & LP	5%
<b>Specific Provision</b>	
Specific provision on Sub-standard and Doubtful Loans and advances for Short Term agri. Credit & Micro credit	5%
Specific provision on Sub-standard Loans and advances except Short Term agri. Credit & Micro credit	20%
Specific provision on Doubtful Loans and advances except Short Term agri. Credit & Micro credit	50%
Specific provision on Bad and Loss Loans and advances	100%

Throughout the year 2015, loans and advances were reviewed to assess whether objective evidence of impairment had arisen.

#### f. Movement of NPA and specific provision for NPA

The following table gives MTB's movement of NPAs and specific provision for NPA

BDT Million

Gross Non Performing Assets (NPAs)	Amount
Non-Performing Assets (NPAs) to Outstanding Loans & advances (%)	2.08
Movement of Non-Performing Assets (NPAs)	
Opening balance	2,060.28
Additions	
Reductions	25.86
Closing Balance	2,034.42
Movement of specific provisions for NPAs	
Opening balance	955.28
Provisions made during the period	226.72
Less: Write-off	-
Write-back of excess provisions	-
Closing Balance	1,182.00

#### v. Equities: Disclosures for banking Book Positions

MTB's stock brokerage functions are undertaken by a subsidiary - MTB Securities Limited as a corporate member of Dhaka Stock Exchange Limited (Member No. 197). For equity financing, only investment in unquoted securities are considered as Banking Book assets; investment in equity for relationship or strategic reason is considered under trading book. Investment in equity securities are broadly categorized into two parts:

- i) Quoted securities (common or preference shares and mutual funds) - Traded in the secondary market (trading book assets)
- ii) Unquoted securities- Categorized as banking book equity exposures which are further sub-divided into two groups:
  - a) Unquoted securities which are invested without any expectation that these will be quoted in near future i.e. Held-to-Maturity (HTM);
  - b) Unquoted securities acquired under private placement or IPO which are going to be traded in the secondary market after completing required formalities.

The primary aim is capital gain or dividend income. Dividends received from these equity securities are accounted for as and when received. Both quoted and un-quoted equity securities are valued at cost, and necessary provisions are maintained if the prices fall below the cost price. As per Bangladesh Bank (BB) guidelines, Held-for-Trading (HFT) equity securities are mark-to-market (revalued) once a week, and HTM equity securities are amortized annually. HTM securities are revalued if reclassified to HFT (with approval of the Board of Directors). The quoted shares of the bank are valued at cost or market price, whichever is lower.

BDT Million

Equities	Amount
Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	931.24
Cost price	
Market price	635.42
Difference	(295.82)
b) Cumulative realized gains (losses) arising from sales and liquidations in the reporting period	
c) Total unrealized gains (losses)	(295.82)
d) Total latent revaluation gains (losses)	-
e) Any amounts of the above included in Tier 2 capital	-
f) Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements	
Specific Risk	88.50
General Market Risk	88.50

## vi. Interest Rate Risk in the Banking Book

Interest rate risk occurs when changes in market interest rates adversely affect a bank's financial condition, affecting both current earnings (earnings perspective) and net worth of the bank (economic value perspective).

The short term impact of changes in interest rates is on the bank's Net Interest Income (NII). Longer term, changes in interest rates impact asset cash flows, liabilities, and off-balance sheet items. This poses a risk to the net worth of the bank, arising out of all re-pricing mismatches, and other interest rate sensitive positions. MTB assesses the economic value at risk due to interest rate shock on a quarterly basis.

BDT Million

Interest Rate Risk in the banking book	Amount		
Total Risk Sensitive Assets	78,747.90		
Total Risk Sensitive Liabilities	85,088.60		
Cumulative Gap			
< 3months	(28,270.00)		
3-6 months	4,352.80		
6-12 months	17,576.50		
CRAR before Shock (%)	12.02		
Assumed Change in Interest Rate (%)	1%	2%	3%
Net Interest Income and Repricing impact (%)			
CRAR after Shock (%)	10.67	9.31	7.96

## vii. Market Risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in different market variables, namely:

- i) Interest rate movements; ii) Currency- foreign exchange rate movements; iii) Equity- stock price movements; iv) Commodity- commodity price movements.

MTB's Market Risk Policy, approved by the Board, covers assessment, monitoring, and management of the above market risks. The Board sets limits and reviews compliance on a regular basis, in order to provide cost effective funding to finance asset growth, and trade related transactions.

### a. Methods Used to Measure Market Risk

Standardized approach for market risk calculates the minimum capital requirement, for each risk sub-category, in terms of two separately calculated capital charges for "specific risk" and "general market risk".

### b. Market Risk Management System

The Treasury Department manages market risk covering liquidity, interest rate, and foreign exchange risks, with oversight from Asset Liability Management Committee (ALCO), comprising of senior executives of the bank. ALCO is chaired by the Managing Director and CEO. ALCO meetings are held at least once in a month.

### c. Policies and Process for Managing Market Risk

There are approved limits for credit deposit ratio, liquid asset to total asset ratio, maturity mismatch, commitments for both on-balance sheet and off-balance sheet items, and borrowing from money market and foreign exchange position. The limits are monitored and enforced on a regular basis to mitigate market risks. The Treasury Department of the Bank reviews the prevailing market conditions, exchange rates, foreign exchange position, and transaction to mitigate foreign exchange risks on a daily basis. Foreign exchange risk is computed on the sum of net short positions, or net long positions, whichever is higher of the foreign currency positions held by the bank.

BDT Million

Quantitative Disclosure of Market Risk	Amount
Capital Requirement for:	
Interest Rate related instruments	243.10
Equities	177.00
Foreign Exchange Position	85.40
Commodity Risk	-
<b>Total</b>	<b>505.50</b>

### viii. Operational Risk

Operational risk arises from inadequate or failed internal processes, people and systems, or from external causes, whether deliberate, accidental or natural - inherent in all of the Bank's activities. The policy for operational risks including internal control and compliance risk is approved by the Board, taking into account relevant guidelines of Bangladesh Bank. The Audit Committee of the Board directly oversees the activities of the Internal Control and Compliance Division (ICCD) with the object of mitigating all operational risks.

#### a. Performance Gap of Executives and Staff

MTB is on continuous efforts to be the best pay master and to ensure workplace safety for its employees with consistent adoption of best employment practices and constant following the policy of non-discrimination regarding compensation, health and safety. Its strong brand image plays an important role in employee motivation. Combination of all these has created a very strong choice among the workforce of banking industry for MTB as being professionally an ideal place of choice.

#### b. Systems

MTB has invested heavily in IT infrastructure for better automation, online transaction platform and network links to avoid business disruption and system failure. The Bank's IT system does not allow any kind of external access, ensuring safeguarding from external fraud (theft/ hacking of information assets, forgery etc.).

#### c. Policies and Processes for Managing Operational Risk

As per the internal control and compliance policy, 2014 of the bank, Group Internal Control & Compliance Division (ICCD) is conducting risk based internal audit. To do these, the activities of branches are being rated in terms of their risk status. It is the policy of the bank to conduct audit on all the branches at least once a year. ICCD directly reports to the Audit Committee of the Board. MTB has also Risk Management Division in place. Its objectives are mainly to identify, assess, monitor, control and manage risks including operational risks and also rectify risk events, and implement any additional procedures required for compliance. Human Resource Division of MTB has also introduced a vigorous Performance Management System (PMS) to evaluate human resources in terms of performance, and instill a performance-based culture within the organization.

BDT Million

Quantitative Disclosure of Operational Risk	Amount
Capital requirement for Operational Risk	707.22

### ix. Leverage Ratio

As an additional safeguards against model risk and measurement error by supplementing the risk-based measure, a non-risk based regulatory leverage ratio has been introduced with a simple, transparent, independent measure of risk. The Basel III leverage ratio is defined as the capital measure (Tier-I capital of the risk based capital framework) divided by the exposure measure, this ratio expressed as a percentage.



BDT Million

Components	Amount
Leverage Ratio	4.62
On Balance sheet Exposure	1,44,891.31
Off-Balance sheet Exposure	18,765.09
Total Exposure after regulatory adjustment	1,63,607.54

#### x. Liquidity Ratio

To measure the liquidity status of banks Basel III guidelines introduced two new standards for liquidity- Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). LCR indicates bank's sufficiency/insufficiency in possessing high quality liquid resources to survive in an acute stress scenario lasting for one month. NSFR portrays resilience over a longer time horizon (one year) for a bank to fund its activities with more stable sources of funding on an ongoing structural basis. Regulatory standards for LCR and NSFR are '≥100%' and '>100%' respectively.

The goal of liquidity risk management is to be able, even under adverse conditions, to meet all liability repayments on time and to fund all investment opportunities by raising sufficient funds either by increasing liabilities or by converting assets into cash expeditiously and at reasonable cost.

MTB manages liquidity risk in accordance with its Asset Liability Management (ALM) Policy. This policy is framed as per the extant regulatory guidelines and is approved by the Board of Directors. The ALM Policy is reviewed periodically to incorporate changes as required by regulatory stipulation or to realign with changes in the economic landscape. The Asset Liability Management Committee (ALCO) of the Bank formulates and reviews strategies and provides guidance for management of liquidity risk within the framework laid out in the ALM Policy. The Bank proactively manages liquidity risk as a part of its ALM activities. The Bank uses various tools for measurement of liquidity risk including the statement of structural liquidity (SSL), liquidity cash flow statements, liquidity ratios and stress testing through scenario analysis. MTB has also framed a Liquidity Contingency Plan (LCP), which serves as a framework for early identification and calibrated action in the event of tight liquidity conditions. The LCP includes various indicators which are monitored regularly, and lays down the mechanism for escalation, remedial action and crisis management until return to normalcy.

BDT Million

Components	Amount
Liquidity Coverage Ratio (LCR)	110.40%
Net Stable Funding Ratio (NSFR)	102.68%
Stocks of high quality liquid assets	32,425.56
Total net cash outflows over the next 30 calendar days	29,370.98
Available amount of stable funding	110,699.57
Required amount of stable funding	107,811.76

#### xi. Remuneration

##### a. Remuneration process:

Remuneration is overseen by MTB Group Human Resources in consultation with Deputy Managing Directors, Additional Managing Director and Managing Director & CEO. The process, through which the authority sets remuneration is by evaluating the market information as well as cost of living adjustment of the employees and subsequently approved by the Board of Directors.

##### b. Design & structure of remuneration process:

All the eligible candidates for promotion are evaluated strictly in terms of the provisions of the Promotion Policy and finally recommended by a "Promotion Committee" comprising the following members:

Designation	As
Additional Managing Director	Chairman
All Deputy Managing Directors	Members
Group Head of Human Resources	Member Secretary
Group Head of Internal Control & Compliance	Member

Regional and Divisional Heads send nomination for promotion of the employees working under their areas. Promotion Committee evaluates/interviews and sends recommendations to the Managing Director & CEO, who reviews all recommendations for promotion and gives final approval.

#### c. An overview of the nature and type of measures used to take account:

Annual reporting on the work and conduct of the employees are made through Annual Performance Appraisal System.

As an appraisal point of the annual reporting, employees have to write their objectives at the beginning of the year on the basis of their job description/assignment. Mid-year review of the objectives is done to ascertain respective achievement. Depending on the feedback appropriate measures are undertaken to fulfill the objectives set at the year end. And finally, at the end of the year, performance of each employee is evaluated.

#### d. Variable Remuneration:

Variable remuneration, known as incentive Bonus is given to all category of employees based on "Incentive Bonus Policy" approved by the Board. Regional Heads and Divisional Heads send recommendations for incentive Bonus for all categories of employees working under their areas, to Head Office. All the recommendations are scrutinized & evaluated by a "Bonus Committee". The committee sends their recommendation to the MD & CEO who reviews and gives final approval.

The Bonus Committee comprises of the following members:

Designation	As
Additional Managing Director	Chairman
All Deputy Managing Directors	Members
Group Head of Human Resources	Member
Group Head of Internal Control & Compliance	Member
Group Chief Financial Officer	Member Secretary

#### e. Number of employees having received variable remuneration award:

Employees having received variable remuneration awards for the year 2015 for their extra ordinary effort to ensure business profitability.

SI	Category	Number of employee	Division
1	Executive	1	Treasury
2	Officers	11	
3	Office Assistant	1	

#### Number of total amount of severance payment:

Total amount of BDT 23,419,347.00 (Two Crore Thirty Four Lac Nineteen Thousand Three Hundred Forty Seven only) had been disbursed to 20 outgoing personnel as severance payment for the year 2015 at the time of releasing them from the services of the Bank.